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SPECIAL REPORT: EUROPE & THE EURO

Herald international Cribune.

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No. 35,820

NATO Candidates Hail U.S. Vote for Expansion

Thank You, America!' After Senate Approves Polish, Czech and Hungarian Membership

By Jane Perlez

WARSAW - Poland's leaders and citizenry greeted the U.S. Senate's approval of their NATO membership with relief and delight Friday, praising the vote as the beginning of a promising new era that would overcome a century of dark history.

"Thank you, America!" Prime Minister Jerzy Buzek said on Polish television Friday, breaking into his rarely used English.

In the Czech Republic and Hungary, where public support for NATO membership has been more muted than in Poland, the reaction to the vote in favor of the countries' entry was also enthusiasoc,

The Czech president, Vaclav Havel, who is recuperating from an operation, said in a statement that the vote would help build the "foundations of stability in the entire Euro-Atlantic area."

In Hungary, Prime Minister Gyula Horn, a former Communist, said his

Suharto Puts Lid on Reform Of Politics for 5 More Years

By Cindy Shiner
Washington Past Scrvice

MEDAN, Indonesia - President of political reform before his term ends in five years.

He spoke as students pressed de-mands for change in clashes with security forces bere and in other cities across the country.

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'If there is any intention for political reform, it should be prepared for the year 2003, after the present government finishes its term," Home Affairs Minister Radan Hartono quoted Mr. Suharto

Mr. Suharto, at 76 the longest-serving leader in Asia, met with political leaders and government ministers Friday before a meeting Monday of the International Monetary Fund, at which officials are to decide whether to release the latest tranche of a \$43 hillion economic bail-

out for Indonesia. The March payment was suspended over Jakarta's noncompliance with reform measures. The economic crisis has aggravated political tension in Indonesia, and rocketing prices have encouraged students seeking wide-sweeping charge, including Mr. Suharto's ouster. In Medan, on the island of Sumatra,

students hurled gasoline bombs and rocks at hundreds of riot police who had sealed off two campuses. The security forces, armed with truncheons and shields, fired volleys of tear gas.
Students at Mommensen University,

near the center of town, drenched tissues and scarves with water to protect their faces from the stinging gas. One student beat out a rhythm on a tin drum while several young men hurled stones at the olice over the campus gate.

'It lnoks like the military isn't here to protect citizens anymore hut is going gainst them," said a student leader, who gave his name only as Haris.

Security forces have largely held back from charging the students so far, but there are growing fears of a crackdown in the absence of any sustainable dialogue with the military or concessions hy the government or the students.

Mr. Suharto is facing the country's worst economic and political crisis since he took office 32 years ago during a period of unrest. Anti-Communist student demonstrations then helped carry

him to power.

At that time, the students had the sup-

See INDONESIA, Page 7

	Newsstand Prices
Antilles	



country should interpret the favorable vote as a sign that Hungary met "in-ternational requirements of freedom.

democracy and a market economy."

The governments of the three Central European nations that were given ap-proval in the Senate on Thursday night to join NATO have been working over the last four years toward the vote. They regarded the Senate as the final hurdle. and in order to get its approval the three countries have been trying to reform their militaries and meet standards of democracy and free enterprise required hy the alliance

In Poland, the largest and strategically most important of the three countries, the government watched the maneuvering in the Senate very closely, and hy this week poliocians and the media were following the debate in minute detail. There was wide coverage of proposed amendments and apprehension that the vote, delayed earlier this month, might be delayed again.

In a statement issued soon after the vote, Mr. Buzek expressed the historical importance for Poland.

"The decision of the United States Senate is the final obliteration of Yalta but the columns of the columns of the United States." by the only remaining superpower," he said, referring to the 1945 agreement that placed Eastern and Central Europe under Soviet influence. "The United States has included us in the elite team of NATO allies!" of NATO allies."

The size of the vote — 80 to 19 — was noted by some with considerable pride. "Eighty votes in favor is a lot — I believe it's more votes than Germany got in 1954," said the Czech ambassador to the United States, Alexandr Vondra. "It's a communication of trust and confidence, and it is for the first time in the modern history that the Senate of the most powerful country in the world would dedicate its time to such a trifling thing as the Czechs are.

Then, Mr. Vondra added in a stern Suharto on Friday ruled out any chance tone: "People at home should realize what it means."

The Czechs have been the most equivocal of the voters in the three countries, with only 50 percent saying in an opinion poll conducted by the Public Opinion Research Institute this month that they favored membership.

In Poland, where there is an instinctive fear of Russia and where the military is the most esteemed national institution, opinion surveys have showed more

See NATO, Page 7

A Top Hutu **Pleads Guilty** To Genocide

By Stephen Buckley
Washington Post Service

ARUSHA, Tanzania - A former top official of the interim government in Rwanda that directed the slaughter in 1994 of bundreds of thousands of ethnic Tutsi pleaded guilty to genocide Friday and agreed to testify against others ac-

cused of planning the massacres.

Before a jammed gallery at the
United Nations Criminal Tribunal for Rwanda, Jean Kambanda, prime minister of Rwanda during the 100 days that majority Hutu sought to exterminate the Tutsi, said he was guilty of committing a crime against humanity and of five other

genocide-related charges.

Mr. Kambanda, 43, is the highest former government official being held by the tribunal, which has captured 25 suspects accused of playing major roles in connection with massacres that killed at least 500,000 Tutsi and their sympathizers. He is scheduled to be senienced Aug. 31.

Prosecutors and human-rights activists hailed his guilty plea as a break-through for the tribunal, which has been bedeviled by accusations of inefficiency and mismanagement, and said they hoped other suspects would follow his

Aside from providing key evidence in future trials, Mr. Kambanda may also supply crucial details of the planning of the genocide and related events, such as the mysterious downing of President Juvenal Habyarimana's plane on April 6, 1994. His death prompted the eruption of ethnic bloodletting.

Virtually all of the suspects at the tribunal, and many of the 130,000 awaiting trial by the Rwandan government, were expected to use denials that a genocide even occurred as a pillar of

Mr. Kamhanda's plea is most likely to create panic among the suspects

See RWANDA, Page 7

Melees on May Day



Leftist demonstrators in Leipzig being drenched by water cannons in an effort by the police to keep them away from a neo-Nazi rally.



Riot police chasing leftist protesters who had been throwing stones at a rally in Istanbul. Dozens of militants were reported injured.



In Seoul, workers and students clashing with riot police during a protest against job losses in which 20,000 people took part. Page 2.

AGENDA

Eldridge Cleaver, Ex-Black Panther, Dies
POMONA, California (AP)
Eldridge Cleaver, 62, the fiery Black
Clinton to Stort Visit in Tignonmen

By John M. Broder

New York Times Service

scale news conference this year, Pres-

ident Bill Clinton dripped contempt for Kenneth Starr, the independent counsel

investigating his private and public conduct, but acknowledged that questions

Panther leader whose book "Soul On

lce," written in prison, became one of

the seminal works of the Black Power

movement, died on Friday at Pomona

The cause of death was not given,

at the request of his family. Mr.

Cleaver was one of the original Black

Panthers. More recently, he joined the

Valley Hospital Medical Center.

Republican Party.

WASHINGTON - In his first full-

Testy Clinton Scorns Starr and Inquiry

throughout his term in office.

sume limitless public funds.

about his behavior would persist

His words and manner betraying his

views of Mr. Starr, Mr. Clinton said

Thursday that the independent coun-

sel's inquiry could persist "forever — 10, 20, 30, 40 or 50 years," and con-

Clinton to Start Visit in Tiananmen

U.S. 'Encouraged' by Iraqi Actions

The IHT on-line www.iht.com

Page 5.

Page 3.

Page 6.

Pages 24-25.

INTERNATIONAL

Opinion ...

Sports

The president refused once more to

Europe Bank Duel Goes Down to Wire

But Both France and Germany

BRUSSELS - Just hours before they were to meet and anoint the coun-

I think that by tomorrow evening, we will have found a solution, a positive and credible solution," said Finance Minister Theo Waigel of Germany.

Dominique Strauss-Kahn, the French finance minister, said the same thing,

The Euro Special Report. Page 18.

The president of the European Commission, Jacques Santer, meanwhile, said there would be no compromise in which the central bank governorship would be divided into two four-year terms. "We have to stick to the pro-

There was little sign, however, that President Jacques Chirac was backing down from his insistence that France's

Voice Optimism on Settlement

By Barry James International Nevala Tribune

tries that will introduce Europe's historic Economic and Monetary Union. European leaders remained deeply divided Friday over who would lead the Continent's future central bank.

But there were flickering signals of a breakthrough in the dispute that has divided France and Germany since late last year over one of the most powerful posts on the Continent - similar to that of the chairman of the U.S. Federal Reserve Board - when the single currency comes into being Jan. 1.

while insisting that France was still pushing its candidate for the central bank position.

visions of the treaty, and the treaty says the first mandate will be an eight-year

mandate," he said. Chancellor Helmut Kohl of German telephoned several other European Ui.ion leaders in an effort to hreak the impasse as European Commission of-ficials warned that failure to agree on a bank chief during their talks Saturday would jeopardize the financial market's confidence in the future currency.

central bank governor, Jean-Claude Trichet, be named to the post. Some French officials privately suggested that Finland's central bank governor, Sirkka Hamalainen, could be a compromise candidate. But Mr. Chirac denied that Paris would propose Mr. Hamalainen as

candidate, Mr. Santer said he did not expect any

new candidate to emerge. One proposal making the rounds in recent weeks was to divide the eight-year central bank joh into two halves, giving the first four years to Wirn Duisenberg, the former Dutch central banker and

See EUROPE, Page 11

U.S. Growth Surges

The American economy grew at a surprisingly strong pace this winter and inflation remained unexpectedly subdued.

Instead of slowing down as the Asian recession hit American manufacturers, the economy picked up speed, growing at a 4.2 percent annual rate in the first quarter, compared with a 3.7 percent rate in the previous quarter. At the same time, the broadest measure of inflation dipped below I percent to its lowest rate since 1964. Page 9.

	The Dollar	
New York	Friday @ 4 P.M.	previous close
DM	1,7833	1.7958
Pound _	1.665	1.6719
Yen	133.45	132.875
FF	.5.977	6.023
1	The Dow	
4000	Finday close	previous close
+83.7	9147.07	9063.37
	S&P 500	
change	Friday @ 4 P M.	previous close
+9.27	1121.02	1111.75

Germans Ponder Violence

Upsurge in Extremist Attacks After Lull **Touches Off a Scramble to Find Causes**

By John Schmid

International Herald Tribune

MAGDEBURG, Germany — At 7:25 P.M. on a recent Tuesday night, two young toughs broke into a Palestinian's apartment in a public housing project on the fringe of this city.

Without provocation, according to the police, they beat the man as he tried to flee, lacerating his face and feet, and set his bed on fire. The victim was hospitalized.

The March 31 incident, the police in Magdeburg say, typifies a renewed in-crease in violent attacks by extreme rightists against foreigners and minorities across Eastern Germany that erup-

Ranging from street-corner intimi-dation to baseball-bat beatings and arson, the new surge in such vinlence follows a four-year lull. The police concede that xenophohic violence is on the rise after they had managed to repress the initial post-unification outhreak of

offer any new information about his

relationship with a former White House intern, Monica Lewinsky. But Mr. Clin-

ton said that allegations about his conduct were part of a concerted long-term

effort to undermine his presidency and

"All these people that have been working hard on this for seven years

now, they can affect my reputation; they

can do nothing, for good or ill, to affect my character," the president said in answer to one of many questions about the numerous investigations swirling

about him. "Unfortunately, they can't make it any better, either."

think, to the American people, that this

had been a hard, well-financed, vig-

orous effort over a long period of time

by people who could not contest the

can't quarrel with the consequences and

the results of my service and, therefore,

personal attack seems legitimate."

He continued, "And it's obvious, I

hlacken his reputation.

skinhead terror, a phenomenon that peaked with a series of fatal firebombngs in 1992. The frequency of racist attacks has

taken even the experts hy surprise. On Wednesday, Bonn's Interior Ministry is expected to announce that "acts of vi-olence motivated by rightist extremism" registered an increase of around 27 percent in 1997 from 1996, predominantly in Eastern Germany, according to a federal investigative The disclosure, expected in the min-

istry's annual report to the Federal Office for the Protection of the Constirution, outstrips all other preliminary estimates. As recently as March, the constitutional watchdog agency itself issued a preliminary figure on extremist brutality showing an increase of about 10 percent over the previous year, which itself was the first rise since 1992.

Victims of the attacks are overwhelmingly foreigners — Turks, Africans and Asians — hut also include the handicapped, homosexuals and leftists.

Sociologists, who attribute the at-tacks to unemployment and disillusionment with unification, said the same discontents fueled the unexpectedly strong gains last weekend for a shadowy far-right party in a state election. Shocking the nation with 12.9 percent of the vote in Saxony-Anhalt, the German People's Union entered the statehouse with the widest margins of any far-right party in any postwar German election.

Given the frequency of the attacks, Peter Loesche, professor of political science at the University of Goettingen, said, "I am amazed that almost everyone was taken by surprise. The rising number of rightist extremist attacks was an indication of discontent." Peter Frisch, president of the Co-

logne-hased constitutional watchdog agency, which monitors extremist groups, said in April that the frequency of violence in the East was three times the rate of the West. Eastern Germany, with only 17 percent of the nation's population, accounted for 45 percent of the attacks, Mr. Frisch said,

Xenophobic doctrines have taken root ideas that I brought to the table, couldn't as unemployment in the East has risen even contest the values behind the ideas and perspectives for the future dwinthat I brought to the table and certainly dled, said Wolfgang Heidelberg, president in Magdehurg of the state Office for the Protection of the Constitution,

See CLINTON, Page 7

See GERMANY, Page 7

Rallies Turn Violent In Seoul and Istanbul

Workers Worldwide Gather for May Day

The Associated Press

across economically ailing Asia and around the world rallied Friday to mark May Day, from rightists in Europe to prostitutes in India.

In Seoul, riot police fired tear gas to disperse 20,000 people protesting job

"No to layoffs!" South Korean workers chanted amid the baze of tear gas that filled a central section of the capital.

The workers and student supporters dispersed but quickly regrouped, hurling rocks and garbage at the police.
The district reverberated with explod-

ing tear gas, the workers' slogans and labor songs blaring from loudspeakers. About a dozen police and protesters

were injured; one student was rushed to a hospital with blood covering his face. The clash was the first violent protest since President Kim Dae Jung took of-

fice in February.

Mr. Kim is the first opposition leader to rise to power in South Korea, one of many East Asian nations struggling with an economic and currency crisis that set

May Day injuries also were reported in Istanbul after hundreds of leftist demonstrators attacked the police with stones

The police responded with water cannons and truncheons, injuring 42 pro- a dock area.

testers. the Anatolian News Agency SEOUL — Millions of workers said. Twenty-eight police officers were injured, the agency reported.

Communists and trade unionists held separate, modest rallies in Moscow, where May Day once brought vast crowds of government-deployed workers into the streets.

But in Ukraine, Communists encouraged by recent electoral gains rallied in Kiev chanting, "Long live Soviet power and socialism! Rallies elsewhere marking May Day,

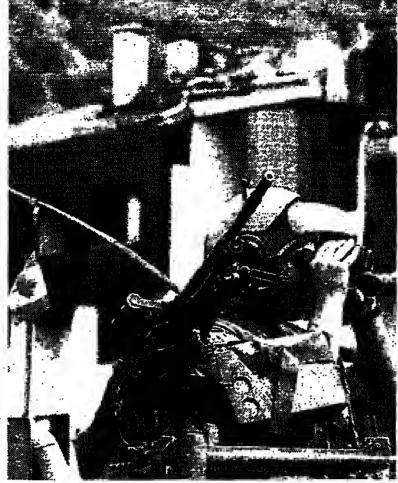
the international labor day, ran the gamut of worker complaints: • A rally by prostitutes in Calcutta who want their profession legalized in

• More than 2 million people in Japan taking part in 1,000 or so rallies, some carrying banners with slogans such as "Stop Murderously Long Working

Hours." · A vigil in Taiwan in favor of aboriginal tribes who believe they are losing jobs to foreign workers.

• A rally by more than 1,000 people in Malaysia, demanding more protection against feared layoffs.

 A small demonstration supporting thousands of striking dock workers in Australia. The workers ended up disowning the rally, saying the five pro-testers should not have illegally entered



ON GUARD - A Canadian soldier with the NATO-led peacekeeping force in Bosnia keeping watch Friday in the town of Drvar on Friday to haul away tons of toxic mud as a delegation of Western peace mediators arrived to hold talks with Bosnian Croat authorities over the return of refugee Serbs.

BRIEFLY

Call for Compromise In Danish Strike

COPENHAGEN - The top labor leader in Denmark told a May Day rally of 100,000 people that unions must compromise in the five-day nationwide general strike.

Hans Jensen, who heads the Federation of Trade Unions, said strikers could not expect to succeed in their demand for a sixth week of paid va-

It was the first indication of a softening by labor in the strike that has idled more than 550,000 workers, and its significance was underscored by Mr. Jensen making it on the day when workers traditionally gather to proclaim their strength and determination.

The strike has been mostly an annovance to Danes in its first days, but was clearly becoming more than that on Friday. Officials of the public transit system in Odense, the country's third-largest city, said they would halt bus service after Saturday because fuel was

Ecologists in Spain Demand Cleanup

AZNALCOLLAR, Spain - Environmentalists demanded greater efforts

age from the ecological disaster. Experts said the longer the poisoned sludge remained piled up along the riverbanks leading downstream from a ruptured mine reservoir, the heavier the toll would be on fish, birds and other

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Hundreds of volunteers in protective masks have already cleared away 6,500 kilograms (14,000 pounds) of dead fish — mostly carp — and hundreds of poisoned bird's eggs from contaminated waters near Donana National Park, Europe's biggest nature reserve, government officials said. (Reuters)

Swiss Jews Assail Calls for Boycott

ZURICH — Swiss Jewish leaders criticized boycott threats Friday against Switzerland and efforts in the United States to persuade Swiss banks to pay a huge global settlement of claims from Holocaust victims.

The Swiss Federation of Jewish Com-

munities urged the Swiss government not to join talks on such a settlement that started last Monday between Swiss banks, the World Jewish Congress and lawyers for Jewish Holocanst survivors suing the banks in U.S. court.

The federation said a global settlement, in which the banks would pay a lump sum to settle all Holocanst-related claims, would distract from a superior

claims, would distract from a sweeping process that has started in Switzerland of coming to terms with its past as a neutral country in World War II. (Reuters)

TRAVEL UPDATE

U.S. Toughens Mexico Travel Alert

MEXICO CITY - The State Department has toughened its advice for Americans traveling to Mexico, responding to a surge in violent crimes against tourists here and mounting complaints from Americans that the government had not adequately warned them about the dangers.

A revised Consular Information Sheet issued Thursday says for the first time that the crime rate in Mexico City "has reached critical levels" and warns of a "marked increase in the level of the violence of the crimes committed, including what appears to be a significant incidence of sexual assaults."

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police are the crime perpetrators, stopping vehicles and seeking money or assaulting and robbing tourists walking late at The State Department does not recommend that Americans refrain from traveling to Mexico but counsels them to "use caution" in practically every part of the country. (NYT) United Airlines and Delta Air Lines have agreed to an

alliance that would control more than one ont of every three seats on U.S. airlines. The deal would link the two airlines' route systems, the together their frequent flier programs, allow qualifying passengers access to each other's airport club rooms and permit selling seats on each other's planes. (AP)

"In several cases," it adds, "tourists report that uniformed

Security was tightened along Japanese "bullet train" lines Friday after saboteurs removed bolts from one stretch of track. The police said stations across the country had received letters warning of further sabotage during the peak holiday period known as Golden Week that begins next week. (Reuters) Northwest Airlines and KLM Airlines will ban smoking on

all flights worldwide as of Aug. 1. The alliance partners allow. smoking now only on their transcontinental flights to (Repeters) Air New Zealand has added a seventh weekly flight from Auckland to Los Angeles and London. It will offer a ninth Auckland flight to Los Angeles on Sundays from Dec. 6 to

Philippine Airlines has cut its Tuesday flight to Frankfurt, reducing service from Manila to six times a week, "to ensure the flag carrier's continued operation amid the currency

Parking will be free Sunday at the Roissy-Charles de Gaulle Airport north of Paris if a strike planned by parking lot attendants is not canceled.

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U.S. Pushes EU to Offer Hand to Turks

By Stephen Kinzer New York Times Service

ISTANBUL - Senior American diplomats are engaged in an intense effort to persuade the European Union to adopt a more conciliatory pedic to the effort services of the engaged in an intense effort to persuade the European Union to adopt a ging the EU position on Turkey.

Greece is Turkey's main rival in European Union to the effort services of the effort services of the engaged in an intense effort to persuade the engaged in an intense effort to persuade the engaged in an intense effort to persuade the European Union to adopt a ging the EU position on Turkey.

Greece is Turkey's main rival in European Union to adopt a ging the EU position on Turkey. diplomats involved in the effort say.

The diplomats said Secretary of State Madeleine Albright had made a series of telephone calls to her European counterparts in recent days, urging them to soften their attitude toward Turkey. largest Turkish immigrant community. Among those whom she has called are Foreign Minister Hnbert Vedrine of the most serious disagreement we have France, Foreign Minister Klaus Kinkel with Germany," said a State Departor of Germany and Foreign Secretary ment official who has worked closely Robin Cook of Britain.

The effort is growing as the U.S. mediator, Richard Holbrooke, arrived Friday in Cyprus for a new round of talks with Greek and Turkish Cypriot leaders. His visit to the island four weeks ago ended without visible progress, in part because Turkish Cypriots and their patrons in Ankara were angry at the way the European Union was treating Turkey's

application for membership.
["We are here at the request of the leaders of Cyprus," Reuters quoted Mr. Holbrooke as saying on arrival. "We came back as we were requested to and in that context we want to move forward."

[Mr. Holbrooke is due to have four oays or se arate meetings with the C riot president, Glavkos Klerides, and the

Turkish Cypriot leader, Rauf Denktash. [Mr. Holbrooke said he was "not necessarily" aiming at calling a meeting of the two leaders at present. "I am not going to propose anything," he said. "I am going to see what the two sides want and if there are things they agree on or they are close to agreement and a little better communication will help, we will work in that direction."]

Mrs. Albright reportedly made some countries decided to proceed quickly progress in her calls, but also found that with talks aimed at admitting six adfierce anti-Turkish sentiment in Greece

ope, and Chancellor Helmut Kohl of Germany is fighting for re-election. He does not want to be seen as supporting steps that could bring more Turkish immigrants to Germany, which has the world's "This Turkey question is probably

with German leaders. At a meeting in December in Lux-

embourg, leaders of European Union considered unfair.

ditional countries and to place five othand the national election campaign in Germany were major obstacles to chan-That set off a storm of protest in

Turkey, highlighted by emotional denunciations of Europe and suggestions that Turkey should look for friends else-

Turkish leaders took retaliatory measures, including asking their Turkish Cypriot clients to stiffen their negotiaing stance in long-stalled talks with Greek Cypriots. Mr. Holbrooke said after his latest visit to Cyprus that Turkish Cypriots were refusing to consider serious compromises as long as Europe treated Turkey in a manner that they

Chechens Seize Yeltsin Envoy

aratist republic of Chechnya was fiance of efforts by the Chechen presseized by armed fighters Friday, apparently the latest victim in a spree of kidnappings in which at least 65

The seizure Friday came as Mr. people are being held.

Since the war between Russia and Chechnya ended in August 1996, dozens of foreigners and Chechens disappeared or have been seized by gunmen inside Chechnya and along its borders, followed by demands for ransom. By one estimate, more than \$20 million has been paid in ransom

for the release of hostages.

Washington Post Service whetted the appetite of young, re-MOSCOW — President Boris bellious and often destinate fighters, Yeltsin's personal envoy in the sep-

Yeltsin's envoy, Valentin Vlasov, wa fraveling along the road between Grozny, the Chechen capital, and Nazran, in the internal Russian republic of Ingushetia. Five armed fighters reportedly took away Mr. Vlasov and his vehicle.

Ivan Rybkin, who negotiated peace terms with Chechnya previously, flew to Grozny to seek Mr. Vlasov's release. The payments have apparently the Interfax news agency reported.

Asia

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(Episcopal/Anglican) Sun. Holy LB.C., Sr. Xenopol vr. 2. This is next to Communion 9 & 11 a.m. Sunday School Gradina locenel. 11:45 - 13:1S. Contact and Nursery 10:45 a.m. Sebestian Rinz St. Pastor Bill Bowers, Tel. 330-0273 or 22. 60323 Frankfurt, Germany, U1, 2, 3 321-3472. Miquel-Aliee. Tet: 49/69 55 01 84

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Church School for children & Nussery care Sunday Worship, Nursery provided; 1 p.m. Spanish Eucharist. Via 11:20 A.M. Mid-week ministries, Napoli 58, 00184 Rome. Tel: 39/6 488 M.Levey. Califfac 06173-62728. 3339 or 39/6 474 3569.

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WEATHER



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Asia Ory and vary warm in Stanghai Sunday to Tuesday. Sunny and warm In Sealing, but turning cooler with showers and sunday warm in Singhai Sunday to Tuesday. Mostly cloudy and damp with rain and drizzle and the same with showers in Rome.

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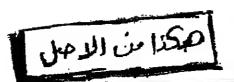
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Clinton Visit to Start at Tiananmen

Decision Indicates Administration Wish for Closer Ties to China

By Barton Gellman Washington Post Service

BEIJING - Aides to President Bill Clinton have disclosed that he has agreed to stage his official arrival ceremony in Juoe at Tiananmen Square. where China crushed a student-led de-mocracy movement in 1989.

At the same time, in a letter delivered to the leadership in Beijing, the president called for a new momentum in the

Chinese-American partnership.
Televised images of the bloodshed around the square, in which security forces killed at least several hundred unarmed demonstrators with rifle fire and by running them down with tanks, pluoged U.S.-China relations into crisis and prompted Congress to pass a sheaf of new economic sanctions.

Bin Tiananmen is also China's preeminent public space, a political emblem of Commuoist revolution abutting the ancient palaces of the Forbidden

City.
Mr. Clinton's coosent to pay respects
at the site — officials said China bad insisted on this point because all heads of state are received there - is the most graphic symbol to date of his decision to halt confrontation on human rights to advance strategic and economic interests in the Pacific Rim's rising

The disclosure of the planned Tiananmen event came as Secretary of State Madeleine Albright signaled that the summit meeting might provide the oc-casion for scaling back the Tiananmenera sanctions.

"I know that you've long been concerned about U.S. sanctions laws that impede your ability to do business in China." she told members of the American Chamber of Commerce in a break-fast speech Tbursday. Mrs. Albright ap-parently was alluding to the ban on funding from the Overseas Private lovestment Corp. and the Trade and Development Agency for business deals in

'We understand your concerns,' she said. "As you know, there have been some waivers such as for satellites and nuclear cooperation in the past, and we will consider future waivers in the conlext of progress on China's part.'

Asked at a news conference whether she thought China was "moving be-yood the Tiananmen era," she replied: "I really do think so. They are looking forward. This is what I've found so interesting, in terms of approaching the tasks that they have ahead of them, and in terms of integrating themselves into the region, the international community, and generally being very forward."

China's government maintains a hard line on Tiananmen. A Foreign Ministry

spokesman. Tang Guoqiang, said Thursday that the "political turbulence" at the square "seriously disrupted social order" and that "the Chinese government had to adopt necessary measures to re-

solve it resolutely."

Had we not done so," he added,
China "could not have made the kind of contribution to world peace and devel-

opment it has made today."
Mr. Clinton's letter to Presideot Jiang
Zemin, hand-delivered by Mrs. Albright
to the Zhongoanhai leadership compound, "emphasized that the president is looking forward to his visit, looking forward to building on the momentum' of Mr. Jiang's October visit to the United States, said the State Department spokesman, James Rubin.

'I want to see new steps in developing not only government-to-government, but people-to-people relations." Mr. Clinton wrote, according to a brief excerpt made available to reporters. We should strengthen cooperation in areas such as science and technology, health, education and contacts between

our young people."
Mr. Rubin said Mr. Clinton also highlighted "specific areas of concern," including human rights, Chinese weapons exports and the trade barriers that prevent U.S. agreement for China to join the rule-setting World Trade Organi-

Argentina Seizes

Ustashe Captain

BUENOS AIRES - Distancing itself

from its reputation as a haven for Nazi

war criminals. Argentina has arrested a

former Croatian Army captain who

presided over the largest — and dead-liest — concentration camp in Croatia. Neighbors booed and whistled as the police led away Dinko Sakic, a month

after he went public about his Ustashe

and smiled derisively as he was taken

from his home Thursday in the Atlantic

resort of Santa Teresita, 320 kilometers

(200 miles) southeast of Buenos Aires.

that Croatia was seeking Mr. Sakic's

extradition for trial in the wartime

killings of tens of thousands of people.

Extradition could be granted in a short

Mr. Sakic, who came to Argentina in

1947, acknowledged in the April 6 in-

terview that he was the senior com-mander of the Jasenovac concentration

camp. But he denied any wrongdoing.
"There was a typhus epidemic, but
no cremation ovens." he said.

time if Mr. Sakic consents, he said.

Interior Minister Carlos Corach said

Mr. Sakic. 76, put up no resistance

past in a television interview.



NEXT WE VOTE — The Paraguyan opposition alliance nominee for president, Domingo Laino, closing his campaign, flanked by his running mate, Carlos Filizzola, and wife, Rafaela. President Juan Carlos Wasmosy has said balloting will take place May 10 despite the barring of the governing Colorado Party's candidate.

Dalai Lama Tempers His Tone on China

Tibetan Leader Approves of Washington's Muting of Criticism of Beijing

By Barbara Crossette New York Tones Service

NEW YORK - Tiber's spiritual leader, the Dalai Lama, has distanced himself from militant Tibetans and some international human-rights orga-nizations by saying that the Clinton administration was on the right track in muting public criticism of China.

In an interview Thursday on the first day of a two-week visit to the United States, the Dalai Lama, an internationally recognized Buddhist leader as well as the Tibetans' spiritual and political head, also said he believed that "China is in the process of changing, changing for the better." He held out hope that quiet diplomacy could lead to talks about the status of Tibet,

The remarks by the Dalai Lama, who spoke in English, were made against a background of increasing pressure on him from Tibetan exiles who are demanding a more active resistance to the Chinese, and the Chinese government, which has stepped up attacks on him 'on a scale not seen since the Cultural Revolution.' an American humanrights leader said Thursday.

In Beijing on Thursday, the Chinese government responded with an abrupt

brush-off to a plea from Secretary of State Madeleine Albright for a dialogue with the Dalai Lama. The Foreign Ministry spokesman,

Tang Guoqiang, characterized the Dalai Lama's promise that all he wants is some autonomy as a ruse "to fool in-ternational opinion." Independence is still his aim, the Chinese officials said.

But the Dalai Lama said io the interview here Thursday that he needs an alternative to violence to offer Tibetans who have become frustrated and "emotional." China's army occupied Tibet in the 1950s, forcing the Dalai Lama into exile in 1959.

In New Delhi this week, a Tibetan exile died from self-immolation to protest conditions in Tibet. A hunger strike has been spreading in India among Tibetans, a number of wborn say they have waited long enough for actioo.

This year I think there were nine

cases of bomb explosions in Tibet," the Dalai Lama said. "Although they used the explosives on buildings, not human beings, there is a danger, a shift." He has long said that a campaign of vi-olence in Tibet was both contrary to his beliefs and foolhardy in the face of Chinese military power.

'The Chinese government, their top

priority is stability and unity," he said. "In order to achieve that, the best thing is dialogue. Superficial stability and unity under the gun is not genuine." He reiterated his call for enough autonomy to protect Tibetan Buddhism and culture in its homeland.

The Dalai Lama said that he had noticed movement in China despite the shriller public condemnations of him.

'Even compared to one year ago," he said, "ti is now more open to expression. Recently I noticed some articles and also books regarding the Tibetan issue by some Chinese. Although they are limited publications, I think this is a very,

very encouraging sign.

Although the Dalai Lama's own govemment-in-exile, based in India, pressed the United States to introduce a res-olution condenning China at the United Nations Human Rights Commission in Geneva in April, the Dalai Lama was not critical of the U.S. decision not to do so.

To engage the Chinese leaders directly, without public condemnation," he said, "there is a possibility to achieve a better effect. Once you state a critical view publicly, then the Chinese government side would find it more difficult. And of course China, a big nation, should not be isolated."

POLITICAL NOTES

Rogue IRS Agent Tied to Frame-Up

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e Yeltsin Envoy

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WASHINGTON — A rogue Internal Revenue Service agent tried to frame the former Senate majority leader. Howard Baker Jr., on money laundering and bribery charges in a bizarre attempt by the agent to advance his career, current and former IRS agents have told the Senate Finance Committee.

The witnesses, describing the agency as riven by fear, favoritism and foul-ups, asserted that senior managers in Tennessee had covered up for the agent when the attempt on Mr. Baker, a Republican of Tennessee, was uncovered by his supervisor and two other agency workers.

Senior officials instead placed the complainants under investigation, driving one out of the Tennessee office and two out of the agency.

The phony charges were made in 1989, after Mr. Baker had left the Senate and completed a stint as President Ronald Reagan's chief of staff. The agent, meanwhile, kept his job despite other complaints of drunkenness and sexual harassment — losing it after an arrest on suspicion of cocaine possession several years

Other witnesses asserted that IRS supervisors often conceded multimillion-dollar tax cases to wealthy corporations and individuals, sometimes in hope of currying favor and perhaps obtaining a job. Major cases were also closed, witnesses said, in order for managers to improve their rankings on internal ageocy statistical mea-

The commissioner of the tax agency, Charles Rossotti, called the testimony on the bogus case against Mr. Baker "deeply disturbing."
Mr. Rossotti said he had asked the

inspector general of the Treasury Department to investigate. He promised partment to investigate. The partment to take appropriate disciplinary ac-

Clinton Backs Down Over Funds for IMF

WASHINGTON -- Congressional Republicans have stared down the Clinton administration, passing a \$6 billion emergency spending bill and winning the president's signature of the measure, although it failed to provide funds he sought to replenish

the International Monetary Fund.
President Bill Clinton signed Friday, after sending word to Congress on Thursday that he would not veto the bill, as be had threatened. Republicans removed most of the extraneous items to which the administration had objected, including provisions on stu-dent loans, food stamps, crop insurance and assault weapons.

The House approved the bill Thursday night, 242 to 163. Senate passage, on a 88-to-1 vote, came later in the evening. The bill provides \$2.6 billion for relief from natural disasters, including less states in the Northeast and cluding Ice storms in the Northeast and tomadoes in the Southwest. It also provides \$2.86 billioo for military measures, including peacekeeping in Bosnia-Herzegovina and the Gulf, and ballistic missile programs. (NYT)

Quote/Unquote

President Clinton, reacting to neardaily criticism from the House speaker, Newt Gingrich, Republican of Georgia: "Nothing he says about me personally - nothing - will keep me from working with him and with other Republicans in the Congress to do everything I possibly can on every

THE USUAL SUSPECTS By Brendan Emmett

Away From Politics

 The Federal Aviation Administra tion bas proposed a record \$2.25 million fine against a maintenance cootractor. Sabre Tech, for shipping hazardous materials aboard the ValuJet DC-9 that crasbed in the Florida Everglades two years ago, killing 110 people. (WP)

 Since the ban on smoking in California bars weot into effect, customers are drinking less and fighting more. (WP)

having babies has declined for the sixth successive year.

•The percentage of U.S. teenage girls

WANTED



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Crime: Being a journalist

FREEDOM



Name: Christine Anyaswu, Nigaria Crime: Baing a journalist Sentence: 15 years

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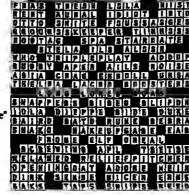
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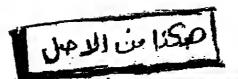
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NEW AUTHORS



Clinton 'Encouraged' by Iraqi Actions

By Philip Shenon New York Time v Service

WASHINGTON - President Bill Clinton says he is encouraged by Iraqi cooperation with United Nations weapons inspectors and that he expects to reduce the number of U.S. troops who are deployed in the Gulf region to keep

watch on Iraq.

The president's remarks about Iraq were more conciliatory than those heard from other U.S. officials in recent weeks, although Mr. Clinton appeared again to rule out an early end to the international sanctions that were imposed on Iraq after it invaded Kuwait in

"We are encouraged by the level of compliance so far with the UN inspections and by the evidence that has been to declaring the declaring arms, an action that could allow Baghdad to avoid intrusive inadduced on the nuclear side that more spections of its nuclear programs in the progress has been made." Mr. Clinton said at a news conference Thursday at the White House.

Under threat of an American-led mil-

mary attack early this year, the gov-emment of President Saddam Hussein allowed greater access to UN arms in-spectors seeking evidence that traq has stockpiled chemical, biological or nu-

clear weapons.
On Monday, the UN Security Council decided to extend sanctions against trad after inspectors reported that it was still specialists, many of whom have accused issue of chemical and biological arms.
Still, Mr. Clinton said there was good

news on Baghdad's cooperation with inspectors from the International Atomic Energy Agency, an arm of the United inspections ended. Nations that polices nations for evidence

future. In a report last month, the agency said its inspections had found no ev-

Mr. Clinton said that "if Baghdad will continue to work with us." the UN could move by October to reduce the severity of the nuclear monitoring. "This is just the nuclear piece, but I am encouraged by that." he said.

The president's remarks are expected far from providing full disclosure on the issue of chemical and biological arms. the Atomic Energy Agency of complainable of chemical and biological arms. deception and its wealth of talented scientists suggest that it could quickly recreate an atomic program once rigorous

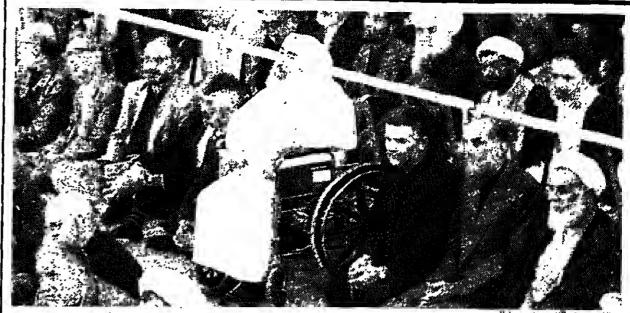
Mr. Clinton said he would wait for a that they are developing nuclear Pentagon recommendation before removing any of the American military force that is now patrolling the Gulf region. The force includes two aircraft care is and more than 300 warplanes.

'us he added, "Inevitably, unless we believe there is some reason for it to be there, at some point in the future I would idence of prohibited equipment or ma-

Arafat wants the U.S. admin-

istration to put public pres-

would not make further com-



The crippled leader of the Palestinian group Hamas, Sheikh Ahmed Yassin, at prayers Friday in Tehran.

Tehran Objects to U.S. Charge of Terrorism

Congrict to the Saft From Dougle to

TEHRAN - Iran rejected a U.S. report calling it the world's leading state sponsor of terrorism, describing the document Friday as "another brick in the wall of mistrust" between the two countries.

"liself a major victim of terrorism, Iran is fully aware of countries at international bodies to rid the world of this matched with deeds.

threat," state-run Tehran radio said. The State Department said Thursday that Iran remained "the most active state sponsor of terrorism" despite the election last year of a more moderate president. Its annual report on international terrorism said that President Mohammed Khatami and his deputies had publicly condemned the dangers of this phenomenon and has worked with other some forms of terrorism but that their words had yet to be (Reuters, NYT)

Netanyahu, With Gore, Hints at Compromise

peace initiative, under which

Israel would pull back from

ian action against militants.

Palestine Liberation Orga- promises.

13 percent of the West Bank, sure on Israel to accept the

in return for firmer Palestin- initiative. Mr. Arafai said he

Compiled in Our Stat: From Disput his

JERUSALEM — Prime gesting he might settle for the peace initiative, under which Arafat wants the U.S. admin. Minister Benjamin Netanyahu suggested after a meet- Israeli officials have said in ing Friday with Vice President the past that Mr. Netanyahu Al Gore that he would meet was considering an 11 perthe Palestinians halfway in the cent withdrawal. dispute over an Israeli troop pullback in the West Bank.

'considerable' "considerable" gap re-mained between Israeli and Palestinian positions before a the Clinton administration. key pusb in London next week to revive the deadlocked peace talks.

Mr. Netanyahu said at a over the London meeting, news conference with Mr. Gore that he hoped an agreement could be found when he Jewish state's 50th an-and the Palestinian president. niversary. met Mr. Netan-Yasser Arafat, met Secretary of Suite Madeleine Albright separately in the British caphal on Monday.

Palestinians come in with a envoy Dennis Ross, had fixed position and say we will covered the U.S.-Israeli renot budge, only Israel should lationship, "I have not seen it budge, and that budging on as part of my role here to our side compromises our se-curity. I would say that's not a Mr. Gore left for Saudi recipe for success.

about the possibility of a breakthrough. My optimism tells me that I hope we will have an agreement in London,'' he said.

Israel's best offer until oow has been a pullback from 9 result of Netanyahu's actions. percent of the land, while the Palestinians have accepted a a news conference with For-U.S. proposal for a withdraw- eign Minister Jawad Anani of al from 13 percent as the ab- Jordan in Ramallah, he said,

halfway mark of 11 percent.

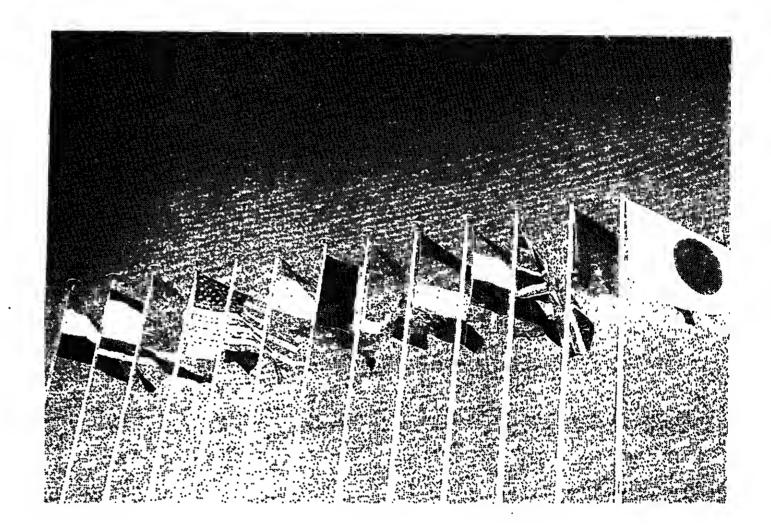
U.S. officials have said they expect both sides to But he also noted that a make difficult decisions in London. But Mr. Netanyahu seemed ready to face down saying Friday that Israel's friendship with the United States would not stand or fall

Mr. Gore, who was in Israel to join celebrations of the yahu for almost three hours. He said their discussions. which extended for part of the time to include key Israeli But he said that "if the ministers and the U.S. special

Arabia on Friday but was due Nevertheless, Mr. Netan- to return on Saturday for talks ahu sounded a positive note with Mr. Arafat in Ramallah, Palestinian-controlled West Bank.

Speaking in Ramallah, Mr. Arafat said Friday that the peace process was "passing through great difficulties as a which are against peace." At The Loodon talks will be

Mr. Netaovahu said that if decisive and will have im Israel was to budge, he exportant results for peace in the pected an 'equal effort' Middle East.' Mr. Arafat



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the European corporate bond market could increase five-fold in just a few years. Which means more European opportunities for investors around the world, too.

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BOOKS

By Dorothy Sayers and Jill Paton Walsh. 312 pages. \$23.95. St. Martin's.

Reviewed by Sarah Booth Conroy

SHOULD scrub floors very badly, and I write detective stories rather well. I don't see why proper feeling should prevent me from doing my ob." So says Harriet Vane, Dorothy Leigh Sayers's character in "Gaudy Night," defending her decision not to be homemaker.

This defense of women's right to write echoes down and detective colleague through the years. Women of my geoeration and inclinawelcomed Sayers's strong challenge to traditions holding that the sexes were separate and not equal, that mystery writers were not novelists and that romance and repartee have no place in detective tales. Yet Sayers left devotees yearning to know if the five-novel courtship of Vane by Lord Peter Wimsey actually endured as a marriage of equals after their disastrous

Busman's Honeymoon. Since Sayers's death in 1957, rumors whispered of the existence of Thrones, Dominions' (the title comes from Milton), an unfinished, unpublished manuscript. According to Alzina Stone Dale, editor of "Dorothy L. Sayers: The Centenary Celebration, Sayers left 170 pages of the text and additional ootes.

At last, brave Jill Paton Walsh, the Brinsh author of children's books and two mystery novels (one a Booker Prize finalisi), has completed the manuscript. Which means that 75 years after the publication of "Whose Body." the first Wimsey novel, we finally get the answer to the question of how these most famous lovers in the classic period of English detective novels balanced the scales of their lives - along with the solutions to two murders.

Thrones. Dominions' contrasts two newlywed couples — a theatrical backer and his trophy wife, chosen for her sensuality rather than her sense, and the Wimseys, whose passions are for each other's erudition as well as for

THRONES, DOMINIONS each other. The beauty is, of course, murdered.

Sayers's Wimsey oovels and her learned dissertations on mystery stories (none better inspired not only Walsh (who went to Oxford after reading "Gaudy Night." which was based on Savers's own college days and alumnae reunion i but many another successful author in her writing of crime novels. Walsh pays proper regard to Savers' notes and much-cherished, unforgenable characiers: Bunier, Wimsey's in-valuable valet, photographer Wimsey's mother and Harriet's fervent supporter, the magnificent Dowager Duchess of Denver, and his scandalous Uncle Paul Delagardie. The Wimsey wit and the woes of the 1930s get their dues.

In "Strong Poison," Wimsey began his courtship of Vane as he tried to save her from the gallows. She turned Wimsey down, though admitting. "If anybody ever marries you, it will be for the pleasure of hearing you talk piffle." A good and sensible

"Busman's Honey-After moon. Sayers wrote two Wimsey short stories but put 'Thrones, Dominions' away in a box and began writing religious plays and essays. children's books and scholarly works. Yet, she admitted, the Wirnseys still piffled in her mind - and they did in the minds of other readers. Thanks to Jill Paton Walsh, piffle is once again heard in the land.

Sarah Booth Centoy, who s finishing her second novel. "The Loves of Martha and George Washington," wrote this for The Washington Post.

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Clinton Shrugs

In his first solo news conference since December, President Bill Clinton gave his usual fluid performance Thursday, but it was obvious that he has paid a high price for his silence oo the allegations about the former White House intem Monica Lewinsky.

Most of President Clinton's feelings came across through innuendo and body language. His repeated ducking of questions seemed defensive, argumentative and yet uncharacteristically passive.

Asked whether his behavior should even matter to Americans, the president all but shrugged and said he was "in some ways the last person whn needs to be having a national con-

versation about this. For a man addicted to conversation, it was a revealing answer.

The president's lawyers have no doubt advised him to maintain his silence, just as lawyers might do for any target of a criminal investigation. But a narrow legal strategy will not help Mr. Clinton restore Americans' faith in his character, even if they approve of the way he has handled the economy.

As we have said repeatedly, he needs to find some way to reassure Americans troubled by the nature of his relationship to the young White House intern and by the lengths that so many of his aides went to in order to find her a job, Instead of taking that route, Mr. Clinton made clear that the

day he would address such questions was in the far, receding future.

As for the independent counsel Kenneth Starr, Mr. Clinton spoke disdaiofully of his investigation lasting forever — 10, 20, 30, 40 or 50 years," and suggested that he would be willing to wait at least that long to clear things up himself. The president argued that polls showing that Americans have a low regard for his moral character have resulted from an organized smear campaign rather than

At every opportunity he turned the other cheek so fast that he seemed to be spinning in circles. It was self-serving spin at that, depicting Mr. Starr and Newt Gingrich as partisans and himself as the victim of a puzzling vendetta.

from anything he has done himself.

For those who admire President Clinton's rhetorical skills, it was an effective blending of signals. But for those who think the presidency carries a duty of candor and full, frequent answers to troubling questions, this rare press conference was far less satisfying.

We have linle patience for Mr. Starr's assertion that there is "no end in sight" to his inquiry. But hy dodging questions and encouraging disrespect for a duly appointed independent counsel. President Clinton is doing his own bit to prolong the investigation and to drive down the polls rating his character.

- THE NEW YORK TIMES

Russian Arms Sales

No longer sustained by captive markets and client states. Russian arms designers and manufacturers are selling their wares to anyone willing to pay. Recent days have brought word that Russian enterprises are helping Iran, India and the Greek Cypriot govemment develop or huy new missiles. In each case, the missiles could alter the balance of military power in a highly volatile region where armed conflict between neighbors has occurred in the past and could again.

The Russian government, while assuring Washington of its concern, has not done enough to curh these deals. Customs agents in Azerbaijan recently intercepted a shipment of Russian stainless steel to Iran that could be used to make missiles.

· Moscow's assistance to India to develop a sea-launched missile has gone on for at least three years. American intelligence agencies say, despite Russian denials. The Russian role may violate the Missile Technology Con-trol Regime, an accord limiting the

Russian officials openly acknowledge the planned sale of sophisticated anti-aircraft missiles to Greek Cyp-

'The motive for these transactions is primarily financial. The Russian arms industry, long supported by lavish state subsidies and sales to Soviet-bloc nations, has foundered since the Soviet

Union collapsed. Weapons designers and builders must now deal with competitive markets abroad. They bave found a profitable niche by selling expenise, muterials and weapons that seem to fall outside the reach of international agreements designed to limit just

such trade. Because many of the Russian enterprises retain close ties to the Kremlin, the government is reluctant to curb their activities. The sales also increase Russian political influence in regions

like the Middle East and South Asia. Washington's complaints are muffled by Anterica's own robust arms business overseas, often conducted with the enthusiastic support of the

Clinton administration. While these sales conform with international restrictions, they hardly represent a model of restraint. President Bill Clinton, for instance, recently lifted limitations on the sale of advanced American warplanes in Latin America, a step likely to encourage a costly arms race among countries that ought to be addressing poverty and poor health.

When political leaders let arms dealers set foreign policy, the result is usually destructive. Exacerbating tensions between India and Pakistan, arming Iran or giving Greek Cypriots a military advantage over their Turkish counterparts can only lead to trouble. More than likely, it will be trouble that harms Russian as well as American interests.

- THE NEW YORK TIMES

Abortion Politics

Congress and President Bill Clinton seem about to do sontething reckless. This is the evident result of their allowing the poisonous abortion issue to tangle up efforts to pay American back dues to the United Nations, and by extension to replenish the International Moneiary Fund.

These institutions are primary insiruments of American global influence. To reduce the American position in them is serious enough. To do it for the sake of postuting on the abortion issue is shameful.

The House had voted to pay the hack dues hut, in a cynical antendinent, to ban American aid to international fantily planning groups that lobby foreign governments to promote abortion rights. The Senate followed suit this past week in a mostly party-line vote of 51 to 49. At once Mr. Clinton threatened a veto. An override seems out of the question.

Most of the hlame — for injecting abortion into the loreign aid dehate in the first place — falls on the Republican-led Congress, which by its hostage strategy is inflicting heavy damage on American foreign policy. But Mr. Clinton has been maneuvered into a spot where he is no less ready than the Republicans to put his abortion position ahead of his foreign policy responsibilities. Both sides can claim a high principle. Each gives priority to a passionate political constituency.

The Senate Foreign Relations Committee chairman, Jesse Helms, warned that a veto would cost the president the United Nations arrearages and much else. Nevertheless, an effort no doubt will be made to dig the United Nations and the International Monetary Fund out of the deep hole that

abortion politics has left them in. What is needed is not so much a consensus on abortion - which is 100 remote to be practicable, especially at a time of divided government — as a consensus on abortion procedure. If the issue is to be fought out, it should be done on dontestic terrain. Too many other important considerations are at stake to let the abortion issue rentain the fixture it has become

in foreign policy debate. That will require some restraint in both the word and deed of international abortion policy by abortion-rights advocates and adversaries alike. It is not an easy prescription to write. It requires a measure of civility keenly lacking in the current proceedings.

— IIII: WASHINGTON POST

Herald Eribune

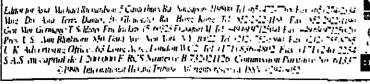
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The Euro: A Huge, Dangerous Gamble for Europe UNICH — This weekend in Brussels. Europe will ratify its Itest gamble ever a common government By Josef Joffe wages would drop, attracting invance to the common government. By Josef Joffe wages would drop, attracting invance to the common government.

MUNICH — This weekend in Brussels. Europe will ratify its greatest gamble ever: a common money without a common government.

Come next Jan. I, the currencies of 11 European Union member states will be irrevocably chained to each other; come Jan. 1. 2002. marks. guilders and francs will be history. There will be only euros and cents.

The gamble consists of three parts. One, most Europeans do not like the euro: for years, opinion polls have delivered solid majorities against this "Esperanto money" - or for its postponement, if there were a referendum, the euro would not make it.

Two, history confirms the doubt. Who remembers the Latin monetary union? Or the Scandinavian one? Or the East African shilling shared by Kenya, Tanzania and Uganda? They did not last long because their members did what nations always do: They went their own way in matters monetary and fiscal, breaking the bonds that held their currencies together.

Three, the task is gargantuan, For European monetary union to work, Europe will soon have to become like the United States in at least one of two

pluribus unum — a common state with a common identity and sense of obligation - or it tums "Reaganite." that is, into a common market that sheds its rigidities, regulations and redistributive habits. Or, even better, it

The 11 euro club members will have lo give up their sovereignty where it matters most. They cannot cheapeo money to stimulate investment, they cannot go into deficit spending to spur consumption, they cannot devalue to increase exports. They will have to stay in a straitjacket.

But economics is about relentless change. How will governments deal with "asymmetric shocks" that affect the 11 countries in different ways? With monetary policy "outsourced" and fiscal policy heavily constrained. there are only three ways left, and each requires responses that Europe is badly equipped to execute.

Take a simple example: mounting unemployment in northern France. If Europe were like the United States.

By Kofi Annan

By Tom Plate

ible. Nor do wages differ much between regions, which are in the grip of nationwide bargaining agreements.

Second, if jobs do not come to the workers, workers go to the jobs — as Americans do. But Europeans do not move, not inside their own countries and certainly not from France to Denmark. Traditionally, lavish subsidies for declining industries have allowed people to stay in place.

The third solution is transfer payments on a Europeanwide scale analogous to what happens in the United States. When the Midwest is in trouble, stabilizers kick in automatically. Washington takes in less in taxes and injects more money from various support funds.

But that demands more than just monetary union. It requires political union - a central government, a sense of national identity and obligation hat Belgians, say, do not feel for Portuguese.

Moreover, the EU's taxing powers are limited to 1.7 percent of gross do-

Living within the straitjacket of economic sovereignty foregone. Europe

must part with its cherished statist and corporatist traditions; it must unleash the market and allow wage flexibility and geographic mobility to carry the brunt of adjustment. Or Europe must understand that it cannot put the cart before the horse -

that it cannot have a common currency without a common government, a United States of Europe, Again, the United States offers an instructive example. First, it bad a constitution; then, in 1913 and with the Civil War in between, it established true mooetary union in the guise of the Federal Reserve. That process took 126 years. Yet Europe thinks it can do that by

2002. It is a huge gamble. If it fails it may contaminate much of what Europe has achieved in the last 10:15 lote for Em

The writer, editorial page editor of the Süddenische Zeitung, comribmed this comment to The New York Times.

Africa Needs Outside Help, and Also Needs to Help Itself

NEW YORK — For too long, conflict in Africa has been seen as inevitable or intractable, or both. It is

Conflict in Africa, as everywhere, is caused by human action and can be ended by huntan action. This is the reality that shames us for every conflict we allow to persist, and that enables us to turn our rhetoric of commitment into a reality of

genuine engagement, Since 1970, Africa has had more than 30 wars lought on its territory, the vast majority of which have been intrastate in origin. Fourteen of Africa's 53 countries were afflicted by armed conflicts in 1996 alone. These accounted for more than half of all war-related deaths worldwide and resulted in more than 8 million refugees, retumees and displaced persons.

No one — not the United Nations, not the international community, not Africa's leaders — can escape responsibility for the persistence of these conflicts. Indeed, colossal human tragedies have taken place in

The writer is secretary-general of the United Nations. Africa in the past decade, trag-edies that could and should

have been prevented. Not enough was done to address the causes of conflict. Not enough was done to ensure a lasting peace. Not enough was done to create the conditions for sustainable development.

This is the reality of Africa's recent past. It is a reality that must be confronted honestly and constructively by all concemed if the people of Africa are to enjoy the human security and economic opportunities they seek and deserve. The sources of conflict in

Africa are as varied and complex as the continent itself. The significance of history and of factors external to Africa cannot be denied. But more than three decades after African countries gained their independence, there is a

growing recognition among Af-

the sources and the solutions to its current conflicts.

In far too many cases, postindependence rule has been characterized by an acute form of winner-takes-all politics. where victory at the ballot box has translated into total control over a nation's wealth and resources. With the absence of proper checks and balances, inadequate accountability and lack of respect for human rights and the rule of law, political power has 100 often become a

the instrument of the many. In these situations, the multiethnic character of most African states exacerbates already existing tensions and fears. making conflict virtually in-

weapon for the few rather than

Good governance --- ensuring respect for human rights and the rule of law, strengthening democratization and promoting ricans that the cootinent must transparency and capability in look beyond its colonial past for public administration - is now

the success of both peace and development. It is not a coincidence that

Africa's renaissance has come at a time when new and more democratic forms of government have begun to emerge and take root.

In every aspect of Africa's emergence from conflict, new ways of thinking and acting are needed on all sides.

In the area of peace and security. I recommend that African governments reduce their purchase of arms and munitions to 1.5 percent of gross dontestic product: that an international mechanism he established to ensure the neutrality and disarmament of refugee camps and that these camps be placed away from borders, and that the Security Council meet twice a year to renew its efforts for Africa.

In the area of economic development, I have suggested that creditors consider clearing the entire debt stock of the poorest African countries while expanding the Highly Indebted Poor Countries program of the

more than ever the condition for World Bank, and that new rules guiding the transparency of public administration be implemented while international trade barriers to African products are removed.

Equally important is the understanding that peace and development remain inextricably linked - one feeding on the other, enabling the other and securing the other. The renunciation of violence as a means of gaining and bolding power is only the beginning. Theo must follow a renewed commitment to national development founded oo sober, sound and un-

corrupted economic policies. The time is long past when one could claim ignorance about. what was happening in Africa or about what was needed to achieve progress. The time is also past when the responsibility for producing change could be shifted onto other shoulders. It is ours and it is theirs — the world's and Africa's.

The United Nations stands ready to play its part. So must the world. So must Africa.

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When Dealing With China, U.S. Must Not Snub Japan

▲ down on President Bill Clinancholy story is emerging that Japanese officials are amhivalent about even seeing in print.

Here's the problem: Of course, the Japanese, like everyone else in Asia, welcome better China-U.S. relations. But they do not welcome them at the expense of good Japan-U.S. relations, and they fear that the Clinton administration's decision to exclude even a courlesy stopover in Tokyo after its China sojoum will be misinterpreted, especially by the Japanese people, but also hy the Chinese government.

Tokyo is resigned as well as hiner. It now accepts that it has no chance of getting from Mr. Clinton even the briefest of stopovers. So instead of asking, getting turned down and losing face. the Japanese would rather swallow hard and keep their peace.

the underlying issue is a prisfound one that America is going to have to sort out if relations with China continue to warm.

The developing triangular relationship antong Japan. China and the United States has a long way to go before attaining the same level of tonured Machlavellianism as that of the Cold War's Bermuda Triangle / Soviet Union, China, United States). But this new Asia-Pacific triad has its own potential for genpolitical treachery, and the way the June summit meeting is taking shape is starting to rattle the nerves of the member of the triad not invited to the Beijing party.

The complaint in Japan. which is in a state of trentendous upset now anyway, could in unkind hands be depicted as peny. It has many linle pans. For starters, the trip is to last six full

But they are not at peace, for days. This is quite a lengths commitment hy a U.S. president. Diplomatically speaking. it does match what President Jiang Zeinin of China spent in America last fall, hut, also diplomatically speaking, it is twice as long a stretch as Mr. Clinton has ever spent in Japan, the fore-

most U.S. strategic ally in Asia. That's one point. There is another: Mr. Clinton's compli-ance with Mr. Jiang's clever request that, either helore or after the trip, the U.S. president stop nowhere else in Asia, as in Japan, is more problematic than it might appear. The worry in Tokyo is that growing tensions in the Japanese-U.S. relationship, epitontized by the public critiques of Japan's economic policies not only by Treasury Secretary Robert Ruhin but also by President Clinton himself. will prompt the Japanese public

over as a snub.

The Jananese government's But own perspective is more geopolitical: If the president fails to call on Japan on the way back from China, will Beijing's transparent policy of seeking to drive a wedge between Washington and Tokyo seem to be vindicated? The Japanese realize that an American president cannot call on everybody, but many may come to suspect that

this overtlight is no oversight. Tokyo has dramatically tried to meet Washington at least halfway on the economic front. A politically entbattled Prime Minister Ryutaro Hashimoto late last month unveiled the biggest economic stimulus package in Japan's history. This S128 billion program, it is hoped, will stintulate the country's economy and help reinvigorate Southeast Asia's.

It also is designed to quier what is known in Japan as Washington's "megaphone diplomacy," the name for the well-known grumhlings of, especially, Mr. Rubin.

Unless Mr. Hashimoto talls after forthconting elections and is fated to be no more than Japan's eighth former prime minsier in eight years (as some in Japan are predicting). Tokyo has now shown its economic cards; this government is unlikely to cave in to more U.S. pressure. Nor will it now risk losing face by officially com-

to interpret the presidential fly- plaining about Mr. Clintoo's travel plans.

meets Mr. Clinton at the summil of industrialized nations in England in May, the American president should bring it up himself and bigheartedly propose a Tokyo stop. It would be a brilliant way to patch up Japan-U.S. relations and one that in the end

China would have 10 accept. As the well-connected millionaire and former diplomat Yoshio Hatano delicately puts On halance. Clinton would do lumself a lot of good if he dropped by, even for one aftemoon.

Agrees Takeshi Kondo, a top executive of the worldwide Japanese trading company Itochu Corp., who like some other Japanese husiness leaders has been as critical as Mr. Rubin of Tokyo's economic policy:

The onussion will give America s enemies in Japan a golden apportunity to criticize: it will send the u rong message to the Japanese public, and it will lead the Chinese to misunderstand the nature of the Japan-U.S. relationship. It is a fundamental

strategic mistake. As this new triangular relalionship evolves. America must find ways of relating bener to China without insulting Japan. It is not off to a great start. We Americans should listen more often to our Japanese allies. They know China hener than we do.

Low Angeles Times Syndrone

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Russia's View ST. PETERSBURG - The

Russian view of the present war is for the most part based on sentimental grounds, and it is undeniable that the weight of opinion here is hostile to America. In addition to the feeling aroused by newspaper articles calculated to place Spain in the light of a heroic under-dog and to appeal to the Russian sense of gratitude for Spain's assistance in the overthrow of Napuleon by carrying on the Peninsular War, there is some anxiety felt as to the effect on Russian securities on the Paris Bourse.

1923: Divorce Secrets

PARIS - [The Herald says in an Editorial | Whether the hearing of evidence in trials for divorce should be public is a question that is greatly interesting opinion in England, as well it may, for the publication of mar-

ital scandals in that country has run more to offensive details that in most others. In the House of Lords, condemnation of this indiscriminate publicity has been strongly expressed. Matters intimately touching the marital relation are sacred and, when immorality is involved, should he kept secret as a safeguard to the well-being of society. This principle is recognised in the French jurisprudence.

1948: Arabs Attack

JAFFA - An armed iruce stilled hostilities in Jaffa at noon today [May 1], and Jewish interest swung northward after an official Haganah bulletin announced that the Syrian and Lebanese Armies had attacked across the Palestinian Irantier. Jewish sculements four miles from the Lebanese border were assaulted at dawn by tanks, armored cars and infantrymen from the two Arab armies.

Germany's Have-Nots Speak Up

WASHINGTON — Yes. we get worried when a By E. J. Dionne Jr. the far right, while the former Communist Party held steady at

party of the far right does well in Germany, Yes, such worries ignore the depth of Germany's postwar democratic culture. So, no, the results of one election in one state in the former East Germany with an unemployment rate of more than 20 percent should not be taken as a sign of things to come.

Still, the 13 percent of the vote won by the racist, anti-imntigrant German People's Union in Saxony-Anhalt last Sunday is a warning to the German political establishment and a reminder in this self-satisfied time that those left out in an age of prosperity will not sit by quietly.

This state vote was important because Germany laces national elections in September, and state elections often provide clues to what to expect nationwide. The unsurprising aspect of the election was the disastrous showing by the Christian Democratic Union of Chancellor Helmut Kohl. The Christian Democrats dropped from 34 percent four years ago to 22 percent. Mr. Kohl, who is seeking a fifth term.

was already in big trouble.

The beneficiary of Mr.

Kohl's unpopularity is supposed

to be the Social Democratic

Party, led by the moderate. Clin-

tonesque Gerhard Schroeder.

But the Social Democrats

picked up only 2 percentage

points over their previous share.

The angry voters gravitated to

Democrats are suggesting that Mr. Kohl should step down, and others are urging him to move to the right. Of course, too much can be read into these results. The former Easi Germany faces

more severe economic prob-

lems than the West, and Sax-

ony-Anhalt faces more prob-

It gets worse: The far right

did especially well among

that fully a quarter of the voters

under the age of 25 in Savony-

Anhalt voted for the German

Already, some Christian

young vitters. Polling suggested

all democrats.

People's Union.

lems than most of the East. "It's somewhat local, it's a little like Pittsburgh in the 1970s. " said Jackson Janes, executive director of the Amertean Institute for Contemporary German Studies, "Almost a quarier nt the people are out of work. A lot of kids are frustrated with the situation, not knowing when they are going to get their share of the pie.

That doesn't mean you're

gning to have an outbreak of the late 1920s," Mr. Janes added. addressing the Big Worry.

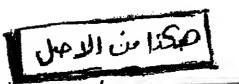
But a lot of people were voicing their frustrations. For the two big parties, the 20 percent. That means that a third of the voters in a state that Social Democrats and the Chrishad been an industrial center in tran Democrats, the result is one the old East Germany backed more indication of a widespread extreme parties. No wonder the sentiment captured by Politik-German tabloid Bild described northorsynholt, which translates the result as the black Sunday for as "a condition of depression or frustration with politics."

Make no mistake: The German People's Union is a scary lot, but the far right is not about to take over Germany. The Christian Democrats and Social Democrats will dominate the fall elections. One outcome, more likely now than before Sunday's election, will be a "grand coalition" between the twn big parties that would gov-

ern from the center. Still, there is a warning in this result, and also in the steady 15 percent of the vote that the extremist National Front has been winning in France. The new world economy is creating a lot of winners and a lot of wealth. But it is also leaving out many people and many regions, even in the prosperous countries.

Those who are losing ground will find ways to register their anger. Surely it is better to deal with the causes of that anger now than to wait until it becomes a larger threat to ethnic minorities and, just possibly, to denocratic institutions

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for Europe

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INTERNATIONAL

*Yeltsin Ignored Communists and Tycoons in Assembling New Youthful Team

By Michael R. Gordon

MOSCOW — It was a month in the making, but President Boris Yeltsin has assembled a new team that is strikingly young, that is pro-reform and that is from outside of Moscow.

The Russian political establishment was stunned when Mr. Yeltsin selected the 35-yearold Sergei Kiriyenko as his new prime minister. After a drawn-out effort to win confirmation for Mr. Kiriyenko, Mr. Yeltsin went further by filling out the top ranks of his government with a squad of young politicians cut from the same cloth.

A key appointment came Thursday when Mr. Yeltsin tapped Oleg Sysuyev as the third of three depudes to Mr. Kiriyenko. Like the new prime minister, Mr. Sysuyev, 42, also launched his career outside of the capital. He is a former mayor of the Volga River city of Samara, one of Russia's most reform-minded regions. A newcomer to Moscow, he bas served in the Yeltsin gov-

ermment for line more than a year. That appointment was a major setback for Russia's husiness tycoons and the Communists, who had hoped to install one of their own at the pinnacle of the community of the commun the new government.

"It is an enormous change," said Anders Aslund, a former adviser to the Yellsin government and a senior associate at the Camegie his mastery of political maneuvering and intrigue, he and his new aides now bave to show they have the patience, fortitude and skills to all young. They are not oed up with the Moscow

oligarchy."

Mr. Yeltsin's decision 10 leapfrog over an older generation of power brokers in favor of a new generation of politicians from Russia's provinces serves several political ends. It prevents a rival from using a high government post to drum up support for a presidential bid in the year 2000, as Mr. Yeltsin feared his former Prime Minister Viktor Chernomyrdin was doing before

he fired him. It is also intended to refresh Russia's gov-

But Mr. Yeltsin's young chargers are also relatively untested in Moscow's brutal political wars. And while Mr. Yeltsin has demonstrated they have the patience, fortitude and skills to govern as a team.

In poliocal terms, that means building the government's credibility with the public by ensuring that wages are paid on time and preventing insider deals in the aucoon of state businesses. It also means pushing through long-stalled legis-ladon, like tax and land reform, cutting the budget and persuading Russians to pay their taxes, a task that has eluded the most determined officials.

Mr. Yeltsin's latest appointments are part of a

energy and transportation monopolies.

The other members of the troika are Mr. Sysnyev, who has been serving as labor minister, and Viktor Khrisienko, 40, a former deputy finance minister and former deputy head of the regional government in Chelyabinsk, a city in the Ural mountains.

Mr. Yeltsin took another important step Thursday when he picked Anatoli Chubais, 42, Russia's best-known free-market proponent, to serve as the chief executive of the electricity monopoly, United Energy Systems.

Mr. Yeltsin rebuffed the tycoons, including Boris Berezovsky, who insisted that the president give them a free hand to run the economy by demoting Mr. Nemtsov and turning his back on broader effort to revamp and slim down the government. Under the new power structure, Mr. Chubais. The main prize the tycoons regovernment. Under the new power structure, Mr. ceived was the appointment of Mr. Berezovsky sympathizers.

Sergei Generalov, 34, an executive from the Men-atep bank and a former oil executive, was named as minister of fuel and energy. That bank is linked to the new Yuksi oil company, which is controlled by Mikhail Khodorkovsky and Mr. Berezovsky.

■ Moscow May Day

Thousands of trade unionists and Communists marched through a sunny Moscow on Friday to mark Labor Day with protests and warnings for the new Russian government, Reuters reported

This is a temporary team that sooner or later will depart, just as the slushy spring snow dis-appears from the fields of Russia," the Communisi Party leader, Gennadi Zyuganov, said as he led a march of some 30,000 followers and

GERMANY:

Pondering Violence

Continued from Page 1

there will be more jobs, if asylum-

seekers leave, there will be more welfare

money." Mr. Heidelberg said.

"They believe that if foreigners leave,

The German People's Union, he said,

'stokes" animosities against foreigners

with its campaign slogans like "Criminal Foreigners Leave" and "German money for German jobs."

Youths between the ages of 14 and 20

account for 70 percent of the East Ger-

man attacks, police records show. The

Berlin-based Center for German Cul-

ture, beaded by Bernd Wagner, a so-ciologist, found that one in three East

German youths expressed some form of

munist dictatorships that imposed ab-

solutist answers to social ills, many

youths have struggled with the process-

of democracy and found a misguided form of fellowship in the far right, ex-

"The aggressors believe they are car-rying out the will of a part of the pop-ulation," Mr. Frisch told the newspaper.

The violent trend shows that Ger-

many's unemployment crisis has taken.

on a worrisome new social dimension in the East, Mr. Loesche said. At 20.6, percent, the official jobless rate in Ger-

many's "new Eastern states" is double

After 57 years of Nazi and Com-

rightist leanings.

Die Zeit.

NATO: U.S. Vote for Expansion Is Cheered

Continued from Page I

than 80 percent support for inclusion.
The news of the vote came on a major public holiday in Central Europe. In Poland oo newspapers were published, but even so by the middle of the day

many ordinary people knew about the vote. For most it was a victory. "I think we will be more secure and more security means more prosperity, said Jacek Zembruski, 30, a real estate developer, as he walked with his friend Iwona Gawron, 30, in Lazienki Park in

"I hope the NATO documents will be more respected than other security documents Poland had before 1939," said Miss Gawron, referring to the failure of Poland's allies to come to its aid in the face of a German attack at the start of

One of the most emotional moments came in the gallery of the Senate when, crat of New York, warning that enlargeafter the vote, the former head of the Polish section of Radio Free Europe, Jan Nowak-Jezioranska, 87, leaned over to the Polish ambassador, Jerzy Kozmin-ski, and said, "We lived to see that."

■ Vote Cut Across Party Lines

Eric Schmitt of The New York Times reported earlier from Washington:

The vote garnered far more than the two-thirds majority oeeded to approve the resolution. In a historic vote that cut across party and ideological lines, 35
Democrats joined 45 Republicans in
support, and 10 Democrats and 9 Republicans opposed the resolution.

Adding three countries to the North Atlantic Treaty Organization requires the approval of all 16 existing NATO members. Once President Bill Clinton formally ratifies the resolution, the United States will become the fifth country to support expansion, joining Canada,

Germany, Denmark and Norway. Enlarging NATO would redraw the itary alliance 400 miles (650 kilometers) missed one by one major amendments easiward toward Russia. Perhaps most that would have tacked conditions on to rectly addressing the students demonimportant for the United States, an ex- this and any future rounds of expansion. panded NATO would commit U.S. mil-itary forces to the defense of Prague, new members beyond the three under Warsaw and Bodapest as if they were review was rejected, 59 to 41.

Washington, London or Rome.

Supporters said expanding NATO would promote U.S. security interests by nurturing new democracies in Europe, providing a hedge against a resurgent Russia and bolstering the alliance's ranks by 200,000 troops, many trained in such specialoes as detecting poison gas on the battlefield.

"NATO enlargement will make Europe more stable and America more secure," said Senator Barbara Mikulski, Democrat of Maryland. "It means future generations of Americans will not have fight or die in Europe.'

But critics contend that expanding the pact will dilute NATO's self-defense mission, antagonize Moscow, jeopardize several Russian-U.S. arms-control negotiations and draw a new dividing line - a new Iron Curtain - across Europe.

'We'll be back on a hair-trigger," said Senator Daniel Patrick Moynihan, Demoment would rekindle the Cold War.

'We're talking about nuclear war.'

Expanding NATO has become one of the biggest foreign policy issues before Congress in decades. It also hands a victory to Mr. Clinton, whose administration has lobbled hard over the past year to win entry to the NATO club for the three new members.

"This vote is a major milestone on the

road to an undivided, democrace and peaceful Europe," the president said after the final vote.

The Secate's approval leaves several questioos unanswered. How many of the nine other nations seeking membership will be invited to join, and when? How much will expansion cost?

Lawmakers bave dealt severe setbacks in recent days to two of the administration's other top foreign policy goals: paying approximately \$1 billion in back dues to the United Nations and providing \$18 billioo in new financing for the International Monetary Fund.

On the Senate floor, senators dis-



A Jakarta stock trader checking the figures as the benchmark index fell 2.5 percent Friday over political tension.

INDONESIA: Suharto Rules Out Political Reform Before 2003

Continued from Page 1

port of the military and the populace. The demonstrations that began two months ago, before Mr. Suharto's appointment to of their actions, we will face them." a seventh five-year term by a rubber-stamp national assembly, have largely been a pbenomenon of students only. The protesters say that is because security forces have prevented them from leaving

Mr. Suharto has refrained from distrations but has implied that there will be a limit to his tolerance.

sbould be countered," Mr. Hartooo forts to break up the multibillion-dollar quoted the president as saying. The home affairs minister said that if the demonstrators "don't understand the effects Treasury officials acknowledged

reports that about 15 political activists were seized by shadowy gronps suspec-ted of being linked to security forces.

■ U.S. to Back \$1 Billion Payment

The United States is preparing to back a \$1 billion payment in international emergency aid to Indonesia, despite ev-"Any attempts to disrupt the interests idence that Mr. Subarto's family and particularly raising interest rates and of national development and stability friends are continuing to undermine efhalting lending by the central bank.

Treasury officials acknowledged Thursday that Indonesia bad failed to The West has stepped up pressure on meet some of the most important con-Jakarta to respect buman rights following ditions that were imposed by the International Monetary Fund in return for the \$43 billion bailoui package. Nonetheless, they said, Washington expects to vote in favor of a gradual resumption of aid who the Fund's board meets next week.

Officials said they wanted to encourage Indonesia for making a number of painful changes in the last two weeks,

the West's 10 percent. Although Germany's liberal asylum policies have made it into one of the most ethnically diverse states in Europe,

with a foreign population of more than, 10 percent in Western Germany, the foreigners in Eastern Germany account for less than 2 percent. The rise in the attacks coincides with a search for solutions. The Eastern state of

Brandeoburg, which last year suffered the highest per-capita rate of rightist violence of all German states, mobilized a 45-member rapid-deployment police unit against extremists. In Magdeburg's Neu-Olvensiedt city

district, where the Palestinian was attacked in March and where many of the city's skinheads assemble, city leaders have channeled over 500 million Deutsche marks (\$280 million) into the neighborhood since unification in 1990.

But neither parental activism nor police crackdowns will attack the root problems, Mr. Wagner said. What is needed, be said, is a massive budget to hire and train armies of social workers to work in the inner cities and instill a sense

of tolerance and democracy. New polls document the extent of theanti-immigrant bias.

Nearly half of all Easterners, 48 percent, believe that foreigners take away their jobs, according to a recent poll by Germany's Emnid election research: group. That compares to 28 percent in

'It is an economic dissatisfaccion.'" The chief U.S. district judge in Washington, said Dieter Walz, who carried out the orma Holloway Johnson, issued a written order poll for Emnid. 'If the economy could improve, this phenomenon would diminish.

■ Leftists Protest in Leipzig

The police used water cannons and riot socks to disperse thousands of leftistprotesters on Friday who were trying to' disrupt a far-right May Day rally in Leipzig, Reuters reported.
Policemen moved in after leftists

hurled rocks and bottles at police lines, wimesses said. Police also used riot sticks to beat back rightists, who threwbottles and stones and tried to attack' leftists and journalists.

CLINTON: Testy President Scorns Starr and Inquiry, Discerning a Long-Term Effort by Foes to Undermine Him And be said of prosecutors, 'shame on them' for implying that Mrs. Clinton had ducked questions in ber deposition. The Clintons' lawyer, Dav-

Continued from Page 1

Barely an hour after Mr. Clinton finished speaking, Mr. Starr's office announced the indictment on federal tax evasion charges of Webster Hubbell, the president's close friend and a former law partner of his wife, Hillary, in Little Rock, Arkansas. The indictment of Mr. Hubbell, who has already

served time in prison on unrelated charges, was Clinton's at-times edgy demeanor at the news The 10-conot indictment on charges of con-

scheme in which Mr. Hubbell and his wife, Suzanna, earned more than \$1 million and spent more than \$750,000 but took steps to conceal their income from tax collectors. In the press conference, Mr. Clinton also scoffed

nesday night, when he called the president an 'illegal man' surrounded by 'spinners." Mr. Clinton dismissed the speaker's attacks as "a few days of high-level static in the House of Representatives." He also said, "I can be re-

sponsible for a lot of things. But I'm not responsible for the speaker's behavior.' The president, appearing at a news conference without a foreign leader at his side for the first time

Room. Half of the questions concerned the Lew-insky investigation or related matters.

Several reporters asked whether Mr. Clinton, by said. refusing to answer questions fully about an alleged sexual relationship with Ms. Lewinsky, had sur-rendered the moral anthority be needs to govern:

response that aides said was rehearsed and arose widely expected and may have contributed to Mr. from Mr. Clinton's own musings on personal mor-

sexual relationship with Ms. Lewinsky or orches-trating an illegal effort to cover it up.
"Since I have answered the underlying ques-

tions. I really believe it's important for me not to say any more about this," Mr. Clinton said in deflecting one of many questions on the Lewinsky matter. "I think that I'm in some ways the last matter. ' person who needs to be having a national conversation about this."

The president said he felt "terrible" about the toll that Mr. Starr's investigation, as well as inquiries by several other independent counsels, has taken on his friends and employees. Dozens of White House aides and Arkansas associates have appeared before deposition last week, citing the common-law docfederal grand juries in Washington and Little Rock trine of spousal privilege.

to testify about the Whitewater real estate and Mr. Clinton refused to discuss his claim of to testify about the Whitewater real estate and banking deal, as well as the Lewinsky charges. Mr. Clinton repeated a promise to try to belp

since December, took more than 30 questions in 54 these witnesses pay their legal fees, but then turned again bitterly on Mr. Start.

"I feel terrible about it, and if I can think of something to do about it, I will," Mr. Clinton

He added, bowever, that he did not feel personally responsible for these friends' plights, placing the blame squarely on the independent coun-It was those questions that prompted the pres-ident's comments on reputation and character, a responsible for, it's Starr. I think all of you would admit that." Asked what his plans were for issning pardons,

ality and public responsibility.

Mr. Clinton said that none of his aides who have
He said he had already denied engaging in a

been targeted in the various investigations had sought a pardon, "No one's asked me for one and there's been no discussion about it," he said

> Mr. Starr has complained that his inquiry has been slowed by foot-dragging by Mr. Clinton and

> The Secret Service has resisted allowing several officers to testify about things they may bave heard or seen in the White Honse, saying such testimooy would violate an untested "protective" privilege shielding the president's bodyguards.
>
> And Mrs. Clinton declined to answer two ques-

> tions about conversations with her bushand at a

executive privilege, citing a federal judge's order that all grand jury matters be kept secret. He said the Secret Service was trying to protect the president's privacy by declining to provide testimony.

content of conversations with ber busband. ■ Lewinsky Said to Lose Immunity Fight

id Kendall, said this week that she had properly

invoked spousal privilege in refusing to divulge the

Ms. Lewinsky bas lost her court fight to enforce an immunity deal with Mr. Starr, individuals familiar with the case said Thursday, sening the stage

for prosecutors either to obtain the former White House intern's testimony about an alleged sexual relacionship with President Clinton or indict her, The Washington Post Reported. Norma Holloway Johnson, issued a written order

more than a week ago rejecting Ms. Lewinsky's assertion that she bad a legally hinding agreement with Mr. Starr to shield her from prosecution in exchange for testimony, according to the individuals. Judge Johnson sent the order privately to lawyers in the case but has yet to enter a formal ruling, they said.

Although Ms. Lewinsky's lawyers promised to

appeal it, Judge Johnson's decision could give new momentum to Mr. Starr's investigation of whether President Clinton lied under oath in the Paula Jones sexual harassment lawsuit about a sexual relationship with Ms. Lewinsky and urged others to do the same. The investigation bas been slowed in recent weeks by a variety of legal disputes.

BRIEFLY

RWANDA: Ex-Leader Admits to Genocide

Continued from Page 1

both in Rwanda and at the tribunal because their whole philosophy, their whole ideology
— in deny that there was a genocide — is no
longer valid," said Rakiya Omaar, director of African Rights, a London-based human rights

The fact that he has settled accounts with his own conscience, in spite of the propaganda machine both inside and outside Rwanda. Mr. Omaar said, "is very encouraging to the

prospects of justice." Tribunal officials suggested that Mr. Kambanda's guilty plea was not connected to the 22 public executions carried ont by the Rwandan government on April 24. Rwanda's trials of genocide suspects are conducted independently of the proceedings in Arusha.

Mr. Kambanda's guilty plea "is a big

deal." Gerald Gahima, deputy justice minister of Rwanda, said in a telephone interview. "It's the first time that someone who was in a position of authority in 1994 has come forth to

own up to his crimes."
The tribunal should be "commended for this." Mr. Gahima added, "but they still have person familiar with the document. a long way to go. We commit our support to a long way to go. We contain a tribunal is in confirmed that the Rwandan government had them. An effective international tribunal is in our best interests."

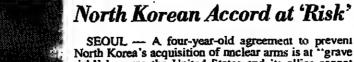
bad made it clear from "day one" that he intended to plead gnilty to his role in the genocide, Bernard Muna, deputy prosecutor of the tribunal, said at a news conference.

Mr. Muna said that the tribunal had promised Mr. Kambanda neither material nor legal benefits, such as a reduced sentence, in exchange for his guilty plea. The tribunal has agreed, bowever, to provide protection for his wife and two children, Mr. Muna said.

does not apply the death penalty. But one tribunal prosecutor speculated that Mr. Kam-banda might eventually win reduced prison time if he cooperated in other cases.

In a statement to the tribunal acknowledging his part in the genocide, Mr. Kambanda suggested that he chose to admit guilt in part because be wanted to "contribute to

In addition, the source said, Mr. Kambanda



risk" because the United States and its allies cannot agree on how to pay for the energy they promised North Korea in return, according to officials traveling with Secretary of State Madeleine Albright.

Mrs. Albright devoted a large part of her time with Foreign Minister Park Chung Soo to the funding crisis. 'There was no solntion reached," a senior State Department official said. The secretary of state sought to build a sense of

argency on the subject Friday to prod allies to step up their contributions. But she also made clear, by way of reassuring North Korea, that the United States would find a way to honor its bargain. There should be no doubt we will fulfill an agreement as important as this one," sbe said.

U.S. Urges Khmer Rouge Trials

LINITED NATIONS, New York - The United States Mitchell, who brokered the Irurged the Security Council on Thursday to establish a
ish peace accord, accepting an
war crimes tribunal to try leaders of the Khmer Rouge for honorary doctorate Friday the murders of more than a million people when Camfrom Trinity College in Dublin. bodia was under Khmer Rouge control in the 1970s.

U.S. officials said they acted at this time because the Khmer Rouge guerrilla forces are believed to be on the verge of collapse, and their leaders are expected to flee into Thailand or other neighboring countries. Their chief

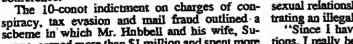
leader, Pol Pot, died two weeks ago.

A draft resolution introduced by the United States to the 15-naoon council calls for the proposed tribunal to operate in The Hague, where the United Nations already has a special tribunal to try persons accused of war crimes in the former Yugoslavia. Under the U.S. proposal, the new court would bave its own judges but would share the facilioes of the current court.

Car Kills 13 Mexican Soldiers

SAN CRISTOBAL DE LAS CASAS, Mexico - A speeding car driven by an air force officer went out of control Thursday and slammed into Mexican troops jogging down the road, killing 13 soldiers and injuring six. Prosecutors said 28 soldiers were carrying out routine exercises when an air force lieutenant colonel crashed his car into them outside the Copalar air base in Comitan. Chiapas, about 50 kilometers (30 miles) from the Gua-

temalan border. "The driver has been detained and will be turned over to the appropriate authorities," the Defense Secretariat said io a news release. It was unclear whether charges would be brought in military or civilian courts. (AP)



at the House speaker, Newt Gingrich, who bas been denouncing him regularly and did so again Wed-

Mr. Kambanda, arrested in July in Nairobi,

Mr. Kambanda is eligible for a maximum sentence of life in prison because the tribunal

Oliver Michael Inglis, Mr. Kambanda's attorney, said at a news conference that his client had decided to plead guilty because, "as prime minister, he had to take the rap."

national reconciliation in Rwanda," said one



PEACE DOCTOR - George

ART

Weaving the Strands Of the Russian Icon

By Souren Melikian International Herald Tribune

ONDON — If art ever mirrored the cultural avatars of a nation that would ultimately lead to a radical change of direction, this is it. "The Arts of Holy Russia: Icons From Moscow, 1400-1660," on view at the Royal Academy until June 14, effectively records in visual fashion the first metamorphosis undergone by Russia when strains of Western influence began to touch it.

It was a double paradox. Change should have been unworkable. The art of the icon ("image," in Greek) was passed on in the first Russian state with Christianity itself by Byzantine Greece when Vladimir, Grand Prince of Kiev, adopted the Orthodox creed in 988, and Byzantine images followed sets of rules rooted in theology and symbolism. Innovation for innovation's sake was inconceivable.

The second paradox is that a leading role should ever have been assumed by Moscow. When the city was founded in 1147, it was probably no more than a riverside settlement in a land largely populated by Finnish groups. These would later be submerged by the Slav eastward progression, leaving only place names, "Moskaya" included. Had the Russia of Kiev oot been annihilated by the Mongol invasion, which culminated in the destruction of Kiev itself in 1240, Muscovy might never have risen to the position of preeminence that it came to hold among Russian principalities by the early 1400s.

Its approach to the icoo was conservative. Some early 15th-century images faithfully repeat models of 250 years earlier. A "Virgin and Child" that opens the show does not differ in its composition or stylized expression from those painted on church walls in Novgorod far to the north around 1140. Mary's head tilted three quarters forward with hig sorrowful eyes staring at some invisible point, aghast at dire events to come is a timeless Orthodox archetype.

The anthor of another "Virgin and Child" painted in the early 16th century for the Chapel of Saints Peter and Paul in the Cathedral of the Dormitton in the Kremlin felt no urge to alter the model. He added circular medallions enclosing the effigies of saints on broad framing bands, but these too send back echoes of a distant past.

Change, however, did set in. Most surprising, perhaps, it came about in the ocuvre of one of the most ascetic figures of Orthodoxy, the monk Andrei Rublev. "Nativity," painted in 1425-1427 for the Monastery of Saint Sergei, and a variant on the theme by an unidentified artist that can be seen in the London show are handled as visionary landscapes. Mary lies on a blazing red couch that seems to be floating rather than resting across a rocky mound. The mountainous setting painted in gold, with shading in white, owes a great deal to late 14th-century Italian art, while the handling of the trees points to the more modernistic strains in Byzantine manuscript painting.

Indeed the idea of weaving several

scenes into a single pattern — "The Magi," "The Annunciation to the Shepherds," The Two Midwives Bathing the Infant Jesus" who is thus seen twice, first here and then swaddled on a couch near the reclining Mary may reflect the specific impact of book illustration in which different moments of a narrative can be depicted in the same image. But Italy alone inspired the aesthetic halance of the composition.

Whether Italian influence came chiefly via Byzantine painters such as Theophanes the Greek in the late 14th century or through Italians in Moscow (later they took a leading role in the remodeling of the Kremlin as it now stands) cannot be determined. But it was clearly making itself felt as early as about 1400. Otherwise compositions such as "Ascension," thought to have been created around 1408 by Daniil Tchorny and Ruhley, or its anonymous variant in the London show would not have been conceived.

HE arrangement of the 12 apostles in two groups oo either side of Mary effectively building up two rows of monumental irresistibly suggests some Florentine Primiove taking his cue from Ancient Roman carved bas-reliefs. In the middle, Mary stands as elongated and hierade as some 11th-century ivory from Constantinople. Yet, her face betrays the new age. It conveys a very human mix of wonder and emotion. The circular blue mandorla in which Jesus is seated in his heavenly ascent, supported by two fluttering angels is very Byzantine, but the handling of the angels' faces with their individualized features and expressions

again points to an Italian strain.

Until the end of the 15th century, Russia seemed to be looking in both directions, Greece remaining by far the stronger influence. The anonymous artist who painted "Transfiguration of Christ" for the Church of the Savior in the Forest, in the Kremlin, modeled his composition

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"Four Gospels of Isaac Birey," 1531, in the Royal Academy exhibition.

on a late 14th-century icon often attributed to Theophanes the Greek. An outsized Jesus stands oo an unreal rocky hilltop, enveloped by a blue mandorla, as two apostles perched on rocky peaks bow to him. Overawed by the divine light radiating from Jesus in very fine rays, three other apostles fall back. The color scheme, the stylized drapes, recall the frescoes of the Constantinople church now called Kahriye Cami.

For some considerable time a bleoding of the two conflicting strains seemed to be on its way. At the beginning of the 15th century, Rublev painted a famous "Trinity" for the Trinity Cathedral in the Monastery of Saint Sergei. Three angels seated around a table oo which a single chalice is set convey a curious impression of intimacy, as if engaged in some beavenly but convivial banquet. The symbolism is Byzantine as are the conventions, the feeling Italian. The rudiments of a landscape appear higher up—an Italianate touch under the garb

Byzantine cooventions. A century later, an artist from the circle of Dionysii took it ooe shade further. In his version of the "Trinity"

on view in London, he changed few details - the chalice has given way to a pyx. But one innovation is astonishing. A dreamy, slightly amused smile hovers on the lips of the angels, ntterly alieo to the spirit of Byzantium. It is as if the Russian icon painter had looked at the angels of Leonardo.

Equally surprising, the art of individualized portraiture insidiously crept into iconic figuration. The monumental standing figures of Mary, Saint John the Baptist, Saint Peter and Saint Paul that the monk Kornili Komielski painted in 1501 for his monastant creek of a committed of the committed 1501 for his monastery speak of a oew world. Their faces have highly distinctive expressions.

The movement toward a merger of the two strands, the Byzantine core and the humanistic loans, stopped short. A clumsy icon of Saint Boris and Saint Gleb painted around 1500 even suggests some extreme reaction, looking back several centuries, to the rigid stylizatioo of early Byzantium. The heads, absurdly small, border oo caricature. Turning back the wheels led nowhere. Russian icon painting slowly withered away, reduced to uninspired stereotypes.

Art in the Galaxies Capturing Deep-Space Light

By Margarett Loke New York Times Service

EW YORK - Out in deep space, our universe of heavenly bodies is a riot of glorions colors and fantastical shapes. But you woo't know that by looking at the night sky, which, even in the clearest weather when it is dotted by seemingly endless stars, is a minimalist study in black and white. That is because the eye is unable to perceive colors when the source of light is small and faint.

One man has done much to show that objects in deep space have astonishing colors.

David Malin, the phoingraphic sci-entist at the Anglo-Australian Obser-vatory in New South Wales, Australia, has been photographing celestial objects in the night sky for about 20 years

through the observatory's telescope, one of the largest in the world.

For years Malin's photographs have been exhibited mostly at scientific institutions in shows like the current "Night Skies: The Art of Deep Space," through Aug. 31 at the National Academy of Sciences in Washington. But his photographs are oow being shown as art. They appeared last year at the Victorian Art Center in Melbourne. On Saturday, "David Malin: View of the Universe" opens in New York at Howard Schickler Fine Art in SoHo.

In his achievements as an astrooomical photographer, Malin stands alone. Not only is he known in sci-entific circles for his superb astronomical photography, but he has also invented new photographic processes to detect very faint distant objects, and in 1987 he discovered what Scientific American calls the largest galaxy known, Malin 1.

One of his inventions, photographic amplification, is a way of copying glass plates to increase the signal of the faint object against the natural glow of the night air. Malin used it in the early 1980s to discover a new kind of galaxy. Looking through existing glass plates taken by the observatory's companion Schmidt telescope, he isolated and amplified shells, or fossil remnants, around featureless elliptical galaxies.

Scientists had believed that ellipt-

ical galaxies were formed when galaxies collided and coalesced, and Malin's discovery of the hitherto barely detectable shells confirmed this idea.

The Anglo-Australian observatory is on the eastern edge of the Australian outback, where the night sky is exceptionally dark and pollution-free and where there is a 65 percent chance

of clear weather.
When Malin applied for the job to start the observatory's photographic laboratory in 1975, he was neither an astronomer nor a professional photographer but a 33-year-old chemist at the Ciba-Geigy chemical company in Manchester. But photography was something Malin had enjoyed since he was a teenager in England, experi-

Malin has invented new processes to detect very faint distant objects.

menting with a simple box camera to take pictures of star trails.

A recent British documentary about Malin, "The Man Who Colors Stars," shows how he positions himself in the "prime focus cage." He steps into a round cubicle that is open at one end, with the camera in the base and the telescope's primary 38-footmirror be-neath it. The cubicle is tilted by computer to nearly horizontal for access...

Color film is not used for several reasons. With color film, cootrast decreases as exposure time is increased to make faraway faint objects clearer. But color is important in astronomical photography because it cootains in-formation on the star's age, temperature, size and composition. It also says something about the physical state of the gas and dust from which stars are formed.

Hot stars, like the sun, appear white. The coolest stars are a deep orange-yellow. Stars 10 times as hot as the sun are sky-blue.

In the last two decades, Malin has made about 150 deep-space images, mostly for scientific purposes, but in recent years he has had bad luck making more pictures. Sessions in 1995 and 1996 were failures because of bad weather. In 1994, Eastman Kodak, which had been sopplying the special glass plates used by Malin, stopped production of those plates, and he has had to use moch slower plates requiring longer exposure times.

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Nods Church's bray North in Talk Intestment

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Seoul Nods At Church's Foray North

Reverend Moon's Group Wants to Talk Investment

> By Don Kirk International Herald Tribune

SEOUL — The sprawling husiness empire. known as the Unification Church is making a push to expand into North Korea with the apparent blessing of the South Korean government.

The Unification Church is using an

invitation for its song-and-dance troupe Little Angels to perform in the North as an opportunity to talk about investment, church officials said Friday. The group is to arrive in Pyongyang on Saturday, and hy Pak Bo Hi, right-hand man of the Unification Church's founder, the Reverend Sun Myung Moon, and a controversial figure here who risked imprisonment in Seoul by attending the funeral of North Korean leader Kim Il Sung in 1994

Sung in 1994.

The Unification Church, whose Tongil Group ranks about 35th in size among South Korean conglomerates, appears to have Seoul's permissioo to discuss possible investments with North Korea. Tongil, which means "unification" in Korean, owns factories and a chain of small stores in the South.

The day before the departure of the Little Angels troupe, the South Korean government Friday removed the \$5 million ceiling oo investment in the North by South Korean companies and did laway with the \$1 million limit on machinery sent north to huild factories.

The oew rules permit South Korean companies to engage in any type of ibusiness in the North except those classified as strategic defense industries. including electronics, aeronantics and computer science. The government also decided to grant multiple permissions to igo to the North for South Koreans with business interests there.

"Our husiness dialogue with the North will resume," Mr. Pak said.
Mr. Pak cited fields ranging from machinery to soft drinks to tourism as

possibilities for investment by Tongil.
"On our behalf, I will talk about business possibilities," be said. He is leading the cotourage that includes 38 performers, all girls aged 9 to 14, and 30

"We know the North is eager for South Korean investment," said Jean-Jacques Grauhar, who spent seven years business consultant in Pyongyang before moving to Seoul five years ago. 'Investment from the South is the bope fof the North to survive economically. Mr. Granhar, executive director of

the European Union Chamber of Commerce in Korea, said that it was a way for Sonth Korean companies to eventually set up factories and hire workers at low costs.

The wealth of the Unification Church is a secret, but its land holdings in South Korea were valued at more than \$1 hillion in 1990, according to a study by the Far Eastern Economic Review.

Arra. 11d.

1 in Western

usulings.

Mr. Pak said he hoped the trip would give Tongil a tactical advantage in the North over Hyundai Group, Sonth Korea's largest conglomerate, which sent a team to Pyongyang last month to talk about opening the Diamond Mountain region in southeastern North Korea

to tonrism. Hyundai's founder, Chung Ju Yung, whose native village is near the east coast and 20 miles (32 kilometers) north of the area, proposed exploiting the re-gion for tourism in a pioneering mission

to North Korea in 1989. Mr. Chung, now 84, hopes to revisit the North in the next few weeks, but Mr. Pak will be competing for much the

same husiness. Mr. Pak noted that the Unification Church, through husiness arms outside Korea, owns the hotel in Pyongyang where the Little Angels group will be staying. The fact that Mr. Pak, who helped the Reverend Moon found the ensemble in 1962 and the Washington Times newspaper in 1982, can go from South to North Korea on such a mission symbolizes a shift in South Korea's

See CHURCH, Page 11



Please Pardon Italy if It's Gloating

As Euro Takes the Field, Rome Celebrates Success in Making the Team

By Alessandra Stanley New York Times Service

OME - This weekend, 11 countries will formally join the European monetary union. Dismissed only a year ago as one of the countries least likely to make the finish line, Italy will sail across it with its arms stretched out in exultant victory.
Italian officials, who trimmed the

deficit, lowered interest rates and began reducing Italy's staggering public debt, view themselves as "Chariots of Fire" underdogs who won an Olympic race. Skeptics, particularly Germans, tend to view Italy as a chorus girl who took diuretics to slim down and fit ber size 6 costume. And there is a lingering fear that any moment she could pig out, swell up and ruin the entire kickline.

Truth lies somewhere between the two caricatures. The coalitioo government of Prime Minister Romano Prodi, supported by a rare consensus among labor unions, business and taxpayers, made heroic strides in cutting spending and raising revenue to bring down Italy's deficit to European stan-dards. Mr. Prodi was also lucky: inflation and interest rates are down worldwide, making it easier for Italy to pay its debts and keep its inflation low. Much of the fiscal discipline has been

committee in the Italian Parliament, budget after that.

By Philip Segal
uernational Herald Tribune

HONG KONG - Just days after

making the largest-ever seizure of pi-

rated software and equipment in Hong Kong, the authorities here said Friday

that they had arrested 24 more people

and seized 2.2 million pirated compact

disks and production equipment worth \$15 million in fresh raids.

The government also said it was con-

sidering making the purchase or use of

The new raids came after an oper-

ation Sunday in which the police seized 8 million illegal video compact disks,

and sophisticated manufacturing equip-

ment worth \$83.5 million. At that time

they made 18 arrests, including that of a

customs official alleged to have taken

bribes from a piracy ring.

The easy availability in Hong Kong of bootleg video and music cassettes and disks, computer software and other

illegal intellectual property has often proven embarrassing for the govern-

ment, which portrays the territory as a

In April, Hong Kong adopted a tough

new law against piracy and doubled the

oumber of customs investigators devoted

to tracking down counterfeit goods. The

bastion of law and order.

pirated goods a criminal offense.

described Italy's Eurodiet. "But we have not yet had to miss a meal." The concero now is not that Italy will be excluded, but that once in, it will relax and fail to sustain necessary

and more painful fiscal discipline and

structural reform. For the moment, Italy is gloating, its victory sweetened by the memory of many sour predictions by European Union officials in Brussels and others that Italians would never be able to pull their economy into shape to join the monetary union, which is to create a common currency, the euro. As late as 1997, Italy's chances seemed embarrassingly dim. In 1992, when the Italian

chanism, they seemed bopeless. But the lira crisis, compounded by a typhoon of political corruption scan-dals, forced Italy to scale back its reckless spending.

lira went into free fall and was pulled

out of the European exchange rate me-

Its economic comeback was also helped by the devalued lira, which gave Italian business a competitive advantage. When Mr. Prodi was elected in 1996, he campaigned oo a message of Europe or hust.
But Italians cannot yet afford to let

up. Italy's public debt, for ooe thing, is still alarmingly off-keel: At 122 percent of gross domestic product last year, the debt is twice the level mandated by the single currency treaty. The government last week published a "We Italians have had to go without dessert a few times," is how Georgio Benvenuto, president of the finance by 2001 and to balance the Leon, an economist at the University to 107 percent of gross domestic product by 2001 and to balance the

Hong Kong Jails 24 in New Piracy Raid

Copyright piracy damages Hong Kong's international reputation, and

buying pirated CDs is "an immoral ac-tion," said Chau Tak-hay, the secretary

for trade and industry. Until this week,

buying pirated software in Hong Kong was child's play: Well-known shopping malls full of illegal goods operated with only the mildest of police interference. When Microsoft introduced its Win-

dows 95 software system three years

ago, Hong Kong newspapers were full of articles showing how easy it was to

buy pirated versions of the program

The latest crackdown follows one in

1996 that led to Hong Kong's removal

from a U.S. government list of countries

and territories considered to offer in-

adequate protection to intellectual prop-

erty rights. In the first 10 months of that

year, after a group of software compa-nies initiated lawsuits against 41 alleged

software pirates, the government arrested more than 1,000 people and seized

nearly 500,000 compact disks, videodisks and CD-ROMs valued at more than

Hong Kong was returned to the list

last year, and a decision on whether it

\$3.4 million.

even before its official introduction.

Others are more sanguine, "We have a moral obligation to steadily reduce our public debt," said Paolo

Trade and Industry Bureau is considering would be elevated to a priority watch list making the purchase or use of pirated compact disks a criminal offense.

would be elevated to a priority watch list — a closer step toward trade sanctions — is due this week.

rated software.

Advisers. "We're returning to the economy of the '50s and '60s - a remarkable, remarkable combination of strong growth without inflation." But the government, eager to re-President Bill Clinton called the data assure its European partners that Italy

required by the Maastricht treaty establishing a single currency. In Italy, economists are toro between horror and wry amusement at

the pledge.

Even if the European and American economies remain relatively good and Italy sustains a growth level of 2.7 to 3 percent in the coming years as it pre-dicts — a feat that Italy has not accomplished in a decade — it would be financially and politically difficult to cootinne spending cuts to pay off debt. In a recession, it would be all but

will maintain its new discipline, also

said it would get the debt down to 100 percent of GDP by 2003 and to the

limit of 60 percent by 2016, the level

impossible.
The political majority that got Italy into Europe cannot get it ont of debt," said Renato Brunetta, a political economist who beads the Fondazione G. Brodolini, a research institute. He insisted that Italians - let alooe the Communists whose support the government needs - would never accept, for more than a decade, baving to pay more in taxes than the gov-ernment provides in services. Mr. Bruoetta said the pledge would spark "a French Revolution."

of Rome. "But there is nothing about

See LIRA, Page 11

An elevation to the priority list would

prove highly embarrassing, especially considering the progress that China is said to have made in stamping out pi-

As the price of equipment to make

andio and video compact disks falls, the

temptation in risk arrest increases be-

cause of the profits to be made in pir-

ating music and software. The orga-

nization representing the world's major

record companies, the International

Federation of the Phonographic In-

dustry, estimates that one-third of all

Facing the threat of U.S. trade sanc-

Companies found to have violated

patent and copyright laws will be

banned from investing abroad, said Tsai

Lien-sheng, executive secretary of the cabinet's Investment Commission. A

customs service spokesman, Raymond

Cheng, said customs procedures would

be centralized and simplified to make it

easier to detect counterfeit items.

tions, Taiwan is intensifying export

controls against pirated goods, The As-

sociated Press reported from Taipei.

music products are illegally produced.

■ Taipei Strengthens Controls

U.S. Economy Posts **Surprising Growth**

Inflation Is Subdued as Rate Reaches 4.2%

By Sylvia Nasar New York Times Service

NEW YORK - The American economy grew at a surprisingly strong pace vinter, and inflation remained unexpectedly subdued, the government has reported.

Instead of slowing down as the Asian recession hit American manufacturers, the economy picked up speed, according to data released Thursday, growing at a 4.2 percent annual rate in the first quarter compared with a 3.7 percent rate in the previous quarter. And instead of drifting higher as Washington and Wall Street feared, the broadest measure of inflation dipped below 1 percent to its lowest rate since 1964.

"We keep expecting a slowdown, and it never comes," said Jeffrey Frankel of the Council of Economic

more evidence of an "American economic renaissance in which opportunity is abundant." He said that growth was not being "fueled by big government deficits," in an apparent reference to the recovery of the 1980s, and dismissed the notion that the economy was hubbling over with specularive excesses. He gave much of the credit for the economy's performance to Alan Greenspan, chairman of the Federal Reserve Board.

Investors have been fretting that the Fed is about to raise interest rates, a concern that helped send the Dow Jones industrial average plummeting more than 140 points Monday.

On Thursday and Friday, they apparently decided to focus instead on the good news oo inflation, which touched off rallies in the stock and bond markets. The Dow climbed 111.85 points Thursday and a further 83.70 points Friday to close at 9,147.07.

A Labor Department report suggested that wage inflatioo was oot much of a pull in a wave of imports, which grew at problem despite a tight labor market. The a strong 11.6 percent annual rate.

employment cost index rose a mere 0.7 percent in the first quarter, more slowly than in the previous quarter and far less than economists had anticipated.

The Federal Reserve was probably as surprised by the economy's strength as were private forecasters. And the central bank, like private forecasters, still expects the economy to shift into lower gear on its own over the next few months. The annual growth rate has been over 3 percent for six consecutive quarters, well over the 2.4 percent rate that the Clinton administration considers the long-run historical norm. The question is how and when will it slow.

Many forecasters expect the Asian crisis to do that job, and falling exports and rising imports did trim \$41 hillion from the gross domestic product in the first quarter. But a hurst of domestic spending more than offset the drag from the widening trade deficit.

"If we don't slow down in the second quarter, watch out," said William Dud-ley, chief economist at Goldman, Sachs & Co. "The Fed will have to tighten, and they'll do it more than we think."

While the economy's growth was led by exports earlier in this expansion, strong domestic demand is fueling it now. Consumer spending was remarkably strong last quarter, rising at a 5.7 percent annual rate, the fastest pace in six years. Spending on cars, appliances and home furnishings jumped at a 20 percent rate.

Consumers are in remarkably good financial shape, one reason that they are expressing greater confidence than ever. Household net worth has swelled by some \$1 trillion in just the past three months as the stock market has climbed. Total wage and salary income for all Americans is 7 percent higher than a year ago, whereas prices are np inst 1.5

Exports, however, declined at a \$9 hillion annual rate, a direct effect of the troubles in Asia. With factory utilizatioo high and unemployment low, strong domestic demand was bound to

Computer Companies Demand Timely Release of Windows 98

By Elizabeth Corcoran and Rajiv Chandrasekaran Washington Post Service

WASHINGTON — Top executives of 26 computer-industry companies have sent a joint letter to the Justice Department urging it not to delay or block the scheduled June 25 release of Microsoft Corp.'s Windows 98 software. Microsoft helped circulate the letter for signatures, the company said.

"The direct effect on the U.S. economy of a delay to Windows 98 would be considerable," the executives wrote. "Consumers, deprived of the right to huy the latest innovative PC operating system - and therefore the reason to buy new devices and software that work with it -- would keep their cash in their pocketbooks." The letter was signed hy some of the best-known chief execntives in the industry, including Michael Dell of Dell Computer Corp., Andrew Grove of Intel Corp. and Eckhard Pfeiffer of Compaq Computer Corp.

Government investigators looking into Microsoft's market power said Thursday that some industry executives had called them expressing concern that Microsoft was trying to strong-arm them into signing the letter. "Microsoft is going out to witnesses who are crucial to the inquiry and saying, 'Please will you sign this letter,' '' a government source said. Mark Murray, a Microsoft spokes-man, denied that the software company

had encouraged executives to sign the letter. He said Microsoft did not write it, but simply acted as a "clearinghouse" for the document.

An industry executive who asked not to be named acknowledged that his

company had discussed the letter with Microsoft before signing it, hut said the software giant had not coerced his company into participating.
In the letter, the executives said they

were not expressing an opinion "on the merits of any investigation of Microsoft." The Microsoft case has provoked much controversy through the high-technology industry. Even within some of the companies represented in the letter, there are people who have privately expressed support for anutrust action against the software company.

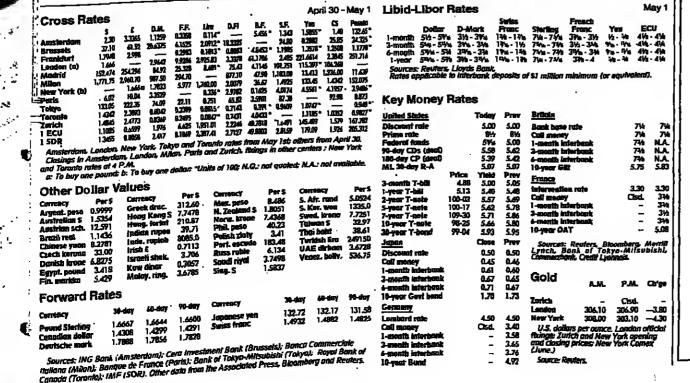
Critics contend that as the dominant supplier of basic operating-system software for personal computers, Microsoft has too much power in the industry. The release of a new operating system normally marks the first sale of numerous related products, such as programs designed to work with it. The release also can bring a surge in computer sales.

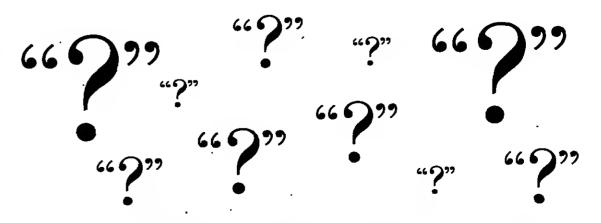
Industry executives have contrasting views of how problematic a delay in the release of Windows 9g might be. "No one wants to see Justice take an action that will cause consumers to refrain from hnying," said Ken Wasch, a Mi-crosoft critic who is president of the trade group Software Publishers Association. But he added: "I see no evidence that a delay in the shipment of Windows 98 would freeze the market for hardware or software.'

To Our Readers

Because of technical problems at the source, all U.S. stock and international futures tables reflect 2 P.M. prices. Weregret the inconvenience.

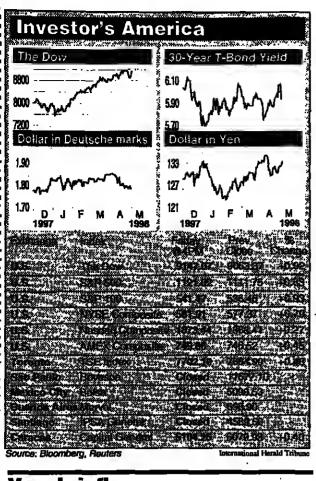
CURRENCY & INTEREST RATES





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Very briefly:

• Boeing Co. was awarded a contract to coordinate development of a system for defending the United States against ballistic missile attack. The contract provides about \$1.6 billion for a three-year program, with options for as much as of weakness in Japan's econom seven years of continued development valued at several billion dollars more. Lockheed Martin Corp. had formed a and the yen needed to buy them. joint venture with Raytheoo Co. and TRW Inc. to compete against Boeing for the contract.

 Hughes Electronics Corp. will raise its stake in PanAmSat Corp., a provider of broadcast and telecommunications services, to 81 percent from 71.5 percent, in a transaction valued

• Eastman Kodak Co., struggling to develop its digital-imaging business, is teaming up with Intel Corp. to cut the cost of putting photographs on computer disks.

• Ameritech Corp. is raising its monthly charge for unlimited Internet access by 10 percent, to \$21.95, following a similar price increase by America Online Inc., the market leader.

• Bell Atlantic Corp. announced a 2-for-1 stock split. The stock of the largest U.S. local phone company has risen 43 percent in the past year. Its stock rose \$3.6875 Friday to close

• Lycos Inc., an Internet navigation company, purchased Wisewire Corp., an Internet cootent software maker, in a stock swap valued at \$39.8 million. With the move, Lycos hopes to improve search capabilities oo its Web site and chip away at Yahoo! Inc.'s dominance of the market.

• Lego AS signed a multiyear agreement with Locas Li-censing Ltd., a subsidiary of Lucastilm Ltd., to make and sell construction toys based on the original "Star Wars" trilogy as well as three new "Star Wars" movies to be released over the next decade. Financial terms of the deal were not disclosed.

 MCI Communications Corp.'s first-quarter profit dropped 66 percent, to \$101 million, after the company depreciated the value of its telecommunications-octwork equipment by \$137

Euro-Optimism Drives Investors to the Mark

Bloomberg News

NEW YORK — The dollar fell against the Deutsche mark Friday amid optimism that the European single currency would proceed as

Although the dispute over who would become the first president of the European Central Bank remained unresolved, traders speculated that a' satisfactory deal would be reached. Investors bought marks on expectations that a European Union

FOREIGN EXCHANGE

meeting Saturday that will decide which countries can join the euro would contain no surprises.

"People waited to see what would happen and are looking at the size of the economy that will be brought under one currency roof and are saying, 'Let's get on board,' 's said Matthew Robertson, a manager at Neuberger & Berman.

In 4P.M. trading, the dollar fell to 1.7833 Deutsche marks from 1.7958 DM on Thursday. Traders said the dollar's moves may have been exaggerated because much of Europe was observing the May Day hol-

The U.S. currency rose to 133.450 yen from 132.875 yen as more signs of weakness in Japan's economy made investors shun Japanese assets "There's oo end in sight for the

softening of the Japanese economy," said John Hazelton, chief cur-

rency trader at Manufacturers & Traders Trust Co.

Also pulling the dollar down against the mark were sales of yen for marks. Many mark-yen transactions are made through the dollar. with traders selling yen to buy dollars, then selling those dollars to purchase marks.

For months, many traders avoided the mark because the single European currency would link the mark to historically less stable currencies such as the Italian lire.

Recently, they have warmed to monetary union as Italy and other prospective euro members have cut their debt and deficit levels and met other strict economic criteria ontlimed in the Maastricht treaty that governs the single currency. "Everybody held back on doubts

about monetary union, and now they're stepping up to the plate," said Keith Woodfin, an analyst at Foreign Exchange Analytics.
"EMU has overcome so many doubts - countries were oot sup-

posed to meet the Maastricht cri-teria, but they pulled it off."

The dollar also fell against other currencies expected to begin the conversion to euros Jan. 1. It dropped to 5.9770 French francs from 6.0230 francs and to 1.4925 Swiss francs from 1.5010 francs.

The pound was at \$1,6660, down from \$1.6719, after a weaker-thanexpected British purchasing managers' index of activity in the manufacturing sector for April.

'Visionaries' Out of a Job

A Flagging Boston Chicken Replaces Co-Chairmen

GOLDEN, Colorado - Bostoo Chicken Inc. said Friday that its chief executive and president had tainment executives quit less than resigned and were being replaced a year after taking control. by J. Michael Jenkins, a company "This is a watershed event," by J. Michael Jenkins, a company outsider with 37 years of expe- said Roger Lipton of Liptoo Firience in the restaurant industry.

franchising system in an effort to for more than two years. "These bolster profit, said Mr. Jenkins, guys were the visionaries." had been chief executive of Vicorp Inc., the Denver-based the market value of Boston Chickowner of the Village Inn and en, operator of 1,166 restaurants,

Baker Square restaurants. topped \$2.5 billion in late 1996 Baker Square restaurants.

who resigned as co-chairman and 71.875 cents Friday to close at \$5. chief executive, and Scott Beck,

who is leaving as co-chairman and president, the company said.
The former Blockbuster Enter-

nancial Services in New York, The once fast-growing chain, who has been arging investors to which is moving away from its sell Boston Chicken shares short A former Wall Street darling.

Mr. Jenkins, who will also be before falling more than 80 perchairman, succeeds Saad Nadhir, cent. Boston Chicken's shares rose (Reuters, Bloomberg)

McDonald's Changes Leadership

Action Reflects Company's Effort to Improve Food Quality

By Dana Canedy New York Times Service

NEW YORK - A month after McDonald's Corp. said it would overhaul the kitchen system in its U.S. restaurants and streamline its home office, the executive behind the reorganization has been appointed to run the entire company.

Jack Greenberg, 55, vice chairman of the corporation and chairman and chief executive of the U.S. division, will become president and chief executive of the worldwide company, McDonald's said Thursday. He will succeed Michael Quinlan, who will remain chairman.

The leadership change, effective Aug. 1, had been expected for months and comes as McDonald's and win back market share lost to competitors in recent years. The president of the Northeast division of McDonald's USA, will become

company has also endured a recent president of the U.S. business. string of product flops and marketing blunders.

Greenberg has been behind many of the most recent changes, in particular the refocus on returns in the U.S. and the 'made for you' food production system, which will hopefully address some of the foodquality issues," said Jeffrey Omohundro, an analyst who follows the company for Wheat First Union. "His leadership in those areas is being recognized I think it's Green-

berg's ship, and he is the captain."

The company also said James
Cantalupo, 54, president and chief
executive of McDonald's International, would become chairman of the international business and vice chairman of the worldwide comis trying to improve its food quality pany. Alan Feldman, 46, who is

On Mr. Quinlan's watch, Mc-Donald's rapidly expanded its American restaurant base and increased its presence to 109 com-

tries. It now has 23,000 restaurants. half of them in the United States. But until recently, the company's organizational structure in

the United States was too cumbersome, analysts said, and some of its recent product introductions and marketing efforts have not

Mr. Greenberg, though, has been able to win over franchisees who had become frustrated by the missteps. He has made himself accessible and changed the company's structure to give regional division heads more authority to better manage their territories, said David Trossman, who follows the company for BT Alex. Brown Inc.

Economic Data Help Stocks Gain

NEW YORK -- Stocks rose Friday, led by financial issues as fresh economic reports confirmed that there was little need for the Federal Reserve Board to raise interest rates.

The Dow Jones industrial average rose closed 83.70 points higher at 9,147.07. The Standard & Poor's 500 Index rose 9.27 to 1,121.02. The Nasdaq composite index rose 5.02 to 1,873.43.

Analysts said the market had been able to extend Thursday's sharp rally after the National Associatioo ed that its index manufacturing ac- tion cuts last month, signaling its tivity fell to 52.9 in April from March's 54.8. With the price component of the report also pointing to a very low inflation rate, analysts Mobil rallied 3 7/16 to 82 9/16. said interest-rate-sensitive stocks were able to lead the market high-

The benchmark 30-year Treasury bond rose 7/32 to 102 22/32, taking the yield down to 5.93 percent from 5.95 percent.

"The market is in a rally mode,"

"Much of this has to do with the sense there's ecooomic growth with oo inflation. Interest-rate sensitivity matter before the World Trade Orhas calmed down a bit."

May 1, 1998

3 % to 135%. Mellon Bank fell 15/16 falling 3 1/16 to 66%, on concern after analysts who had met with Bank that sales of its oew bone-thinning after analysts who had met with Bank of New York's chairman, Thomas treatment Evista would not be as Renyi, said the bank may drop its strong as expected. \$22.4 billioo bid for Mellon. Bank of Boeing, a memb New York rose 11/4 to 60 13/16.

Oil-drilling, production and services shares led the market higher.

U.S. SNAPSHOT

as the price of crude oil rose 74 ceots to \$16.13 a barrel, the biggest gain in five weeks. The Organization of Petroleum Exporting Countries came of Purchasing Management report- close to meeting promised produc-

Drug stocks fell, capping the mar-ket's advance, Eli Lilly led the slide,

Boeing, a member of the Dow

industrials, rose 11/2 to 51 9/16 after the company won a contract to develop a cootinental missile defense system potentially worth \$5.2 billioo over the next 10 years.

Heller Financial rose 3 to 30 in its first day of trading after the commercial finance company's \$1.04 billioo initial stock sale, the biggest U.S. initial public offering in almost two years. K-Tel International was up 97/32

at 4634 after the on-line music service said it had acquired rights to publish Billboard magazine's weekly charpackage from BPI Communications Inc. Terms were oot disclosed.

(Bloomberg, Bridge News)

U.S. Accuses Greece of Copyright Piracy

Compiled by Our Staff From Dispatches WASHINGTON - The United rization and without any payment of

said Alan Ackerman, chief market States accused Greece on Friday of compensation to U.S. copyright strategist at Fahnestock & Co. widespread piracy of American tele-holders," the U.S. trade represenvisioo programs and movies and said it would file a complaint oo the

As part of an annual review of said it would file a complaint oo the

sioo programming without autho-

piracy of copyrights and patents, the United States put 15 trading partners Fleet Financial Group rose 2 7/16
to 88 13/16, BankBoston jumped 2
15/16 to 110%, and J. P. Morgan rose

"Approximately 150 Greek TV including Israel, Argentina and the European Union on a "priority owned motion pictures and televi-" (AP, Bloomberg)

54.95 52.36 54.95 53.25 54.95 53.26 54.25 53.15 53.00 52.25 52.00 52.00

AMEX

Friday's 2 P.M. The 300 most traded stocks of the day

U. S. STOCK MARKET DIARY

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INTERNATIONAL FUTURES

Read THE MONEY REPORT every Saturday in the HIT.

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D Stocks Go

Standoff **Over Credit** Lyonnais

Agence France-Presse BRUSSELS — The French goverrument has rejected the European Commission's proposals for rescuing the banking company Credit Lyonnais, European sources said

The commission, the executive agency of the European Union, has said France must agree to its terms for a new aid package this weekend or it will refuse to allow Paris to inject any more state funds into the bank, a move that could lead to the

company's bankruptcy.
But the sources said Finance Minister Dominique Strauss-Kahn of France, in a letter to the commission April 24, rejected the commission's estimate that Lyonnais needs 145 billion to 190 billion French francs (\$24 billion to \$31.6 billion) in state according to government officials. Faid as too high.

Such an estimate implied that tough measures would have to be taken that could threaten the bank's viability, according to the sources, unemployment rate to 12 percent who estimated the necessary aid at 80 billion francs.

The European Commission's proposals include a restructuring to rid the company of assets worldwide valued at some 600 billion francs, reducing its French activities by 22.5 percent and the privatization of the bank, something a previous French government agreed in 1993 to do by 1998 in exchange for 45 billion francs in

The president of the European Commission, Jacques Santer, said Friday that the opposing sides should be able to find a solution that will be in the interests of Credit Lyonnais" despite the deep difference between Paris and Brus-

U.K. Manufacturing Sector Shrinks

حكذا من الاعل

LONDON — Britain's manufacturing sector dustry.

On Tuesday, official figures showed that Britain's On Tuesday, official figures showed that Britain's

shrank for the first time in almost two years in April as the strong pound took a heavy toll, according to a overall trade deficit widened sharply in February, to survey released Friday.

report on business said its purchasing managers index dropped to 49.5 last month from 52.2 in March. Any

The Chartered Institute said the cause of the slump the first one since May 1996.

Separately, the Bank of England reported that net consumer borrowing rose by £1.43 billion (\$2.39 billion) in March, the highest figure since it began

keeping the records in 1993.

agers' report capped a bearish week for British in-

£2.2 billion, while the Confederation of British In-The Chartered Institute of Purchasing and Supply's dustry said business confidence about exports had

reading below 50 denotes a contraction, and this was the pound, which has risen by about 25 percent the first one since May 1996.

was the pound, which has risen by about 25 percent since mid-1996 in spite of a recent wobble.

As it has climbed, the pound has pushed export prices higher. Britain's manufacturers may account for less than a quarter of the economy, but they sell well over half their output abroad and now are The gloomy prognosis from the purchasing man-perilously close to the edge of recession.

French Unemployment Rate Falls to 12%

Reuters - Unemployment in France fell in March for the sixth time in seven months, giving the latest sign of the economy's health and setting the stage for further declines,

The Labor Ministry said Thursday that the number of people unemployed in France dropped by 37,000, to 2,989,800 in March, cutting the from 12.1 percent in February and

were registered as unemployed. mark, Dominique Strauss-Kahn.

shows that growth is back."

Economists said the drop in French unemployment was mostly the result of stronger economic growth, but they said that part of it could be attributed to more flexibility in the labor market.

"This is due to the economic re-

more flexible than it used to be," "This is a very good figure; we said Stepbanc Deo, economist with have gone below the 3 million Goldman Sachs in Paris. "With the said Finance Minister same growth, the economy creates more jobs.

French employers were relying more on part-time or temporary hires to circumvent restrictive labor legisladon, Mr. Deo said. Philippe Brossard, head of research at ABN-AMRO in Paris, said the employment growth would be "a favorable factor for household purchasing power and marking the first time since January bound, but we can also remark that could lead people to lower their sav-1996 that fewer than 3 million people this is evidence the labor market is ings, which remain relatively high."

High-End Strategy Raises Profit at Unilever

Compiled by Our Stuff From Disputches

LONDON - Unilever NV said Friday its pretax profit in pounds was up 56 percent in the first quarter, beating expectations, as the British-Dutch consumer-products conglomerate focused on premium brands.

lion), compared with £482 million in the year-earlier period. In Dutch cur- started shedding lower-return assets period. That gain will be offset in the rency terms, net profit was 1.44 bil- and broadening market share in highlion guilders (\$712.3 million), com- ex-margin food and consumer-goods

spokesman said. "Europe has continued to make a strong contribution Pretax profit in the quarter to the improved results, and profits been skewed by a change in acreached £754 million (\$1.26 bil- have recovered in North America." counting methods that made this first

pared with 898 million guilders a markets to better compete with rivals year earlier. Sales slipped I percent, such as Nestle SA. Unilever antib-to £7.07 billion from £7.18 billion. nted the earnings rise to restructuring to £7.07 billion from £7.18 billion.

"We have seen a good margin increase across the board," a gain in commodity prices that lifted its Asian and Pacific operations.

The company said results had counting methods that made this first Eighteen months ago, Unilever quarter six days longer than the 1997 fourth quarter, the company said. (AP, AFX, Bloomberg)

Cendant Buys 2d Road-Aid Service in Push in U.K.

LONDON — Cendant Corp. ex-lended its push into Britain by agreeing Friday to pay £450 million (\$752 million) in cash for RAC Motoring Services Ltd., the No. 2 Brit-

isb roadside assistance service. The purchase of RAC Motoring Services, part of the Royal Automobile Clinb that also governs British auto sports, follows Cendant's \$1.34 billion acquisition this week of the parent of Green Flag, the third-largest provider of roadside help with 3.5 million members.

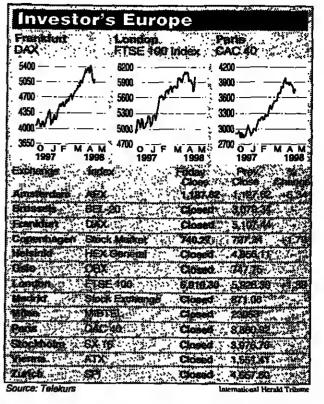
The RAC deal indicates that Cendant, a direct marketing and franchising company, is not straying from its rapid pace of acquisitions. The Connecticut company said this month that it had discovered "potential accounting irregularities" in its financial statements, a disclosure that battered its stock and caused some jitters among investors who were enticed by its rapid growth.

But the cash purchase was a departure. Cendant is less able to buy companies with its own stock, its favored method, after its share price dropped 46 percent April 16. Cendant shares were down 68.75 cents at \$24.375 in late New York trading.

With 9.1 million members combined, Cendant's British roadside-aid companies become a more formidable rival to the Automobile Association, which has 9.5 million members, and give Cendant more customers for "cross-selling" of other products it owns, from Avis rental cars to Howard Johnson hotels.

The purchase must be approved by at least 75 percent of the 12,000 voting members of the Royal Automobile Club. (Bloomberg, AP)

High Low Close Prev



Very briefly:

· Cable & Wireless PLC, one of Britain's largest telecommunications companies, is selling its 20 percent stake in Bouygues Telecom SA to Telecom Italia SpA for £456 million (\$761.7 million). C&W said the sale would result in a profit of about £400 million.

• EMI Group PLC, a British music company, said it had been approached by a potential suitor. Industry sources said Seagram Co. and Walt Disney Co. had made overtures.

· British Aerospace PLC will buy a 35 percent stake in Saab AB of Sweden for £269 million. Saab is currently owned by the investment company Investor AB, which represents the Wallenberg family interest in many companies.

· Russia's gross domestic product was unchanged in the first quarter, the government reported, as the Asian crisis sparked an outflow of capital and sent interest rates higher. The economy grew 0.8 percent in 1997, and the government forecasts growth of 1 percent to 2 percent this year.

• BAT Industries PLC's pretax profit fell 2 percent in the first quarter, to £573 million, in spite of a gain of £46 million from the sale last year of First Federal Savings & Loan Bloomherg, Reuters, AP, AFP

CHURCH: Reverend Moon's Group Looks North

Continued from Page 9

outlook since President Kim Dae Jung took

office in February. Mr. Pak angered South Korea by attending the funeral of Kim Il Sung and meeting with his son, Kim Jong IL

Threatened with arrest under South Korea's national security law for unanthorized contact with the North, he did not return to Seoul from his residences in Tokyo and Washington until about a year ago, after receiving assurances that he would not have to

North Korea is playing host to the group its first invitation to a private South Korean cultural group - despite the failure April 18 potiators from North and South Korea in style." he sa Beijing. In a sign of the significance they one South Korean radio station.

and they said the government was likely to accept virtually any application that did not compromise security interests.

Daewoo Corp. so far is the only South Korean company with factories in the North. Its chairman, Kim Woo Choong, invested \$5 million in 1996 in factories for making shirts, blouses, jackets and golf bags in the North Korean port city of Nampo. The results have been mixed.

'Our production is now low," said Kim Sang Ook, general manager of Daewoo's op-eration in the North. "We think in another two years, productivity will be the level of our target. Now we have to wait."

The main problem, he said, was the lack of experience of North Korean workers. "We of talks at the vice-ministerial level between have to guide them on every order, every

Reasons for reluctance among South attach to the mission, South Korean officials Korean companies to go to the North range are permitting live broadcasts of the Little from the low skill levels of North Korean Angels' three Pyongyang concerts on at least workers to bureaucratic problems to difficulties in obtaining credit from banks in South Officials said more than 30 South Korean Korea for such high-risk ventures in view of firms bad applied to do business in the North, the South's own economic problems.

WORLD STOCK MARKETS

	iday, s in loca Tele High	d CUTTE	encies.	Prev.	SHK Props Sino Land Co. Swire Poc. Whart Hidgs	High 44,90 3,50 39,70 12,65	44.10 1.38 39 12.45	44.30 3.50 39.40 12.55	3.35 38.70 12.35	Notional Power NatiWest Nest Northern Rock Norshch Union	5.88 12.30 4.99 4.55 4.57	5.75 11.50 4.94 4.07 4.30	5.82 12.18 4.97 6.12 4.48	5.54 12 4.97 6.10 4.50
				7152	Wheelock Yue Yuen Ind.	745	6.95 15	7.2S 15	1495	Nycomed Amer Orange PBO	19.75 4.51 8.90	19.02 4.10 8.77	19.65 4.43 B.B7	19.90 4.20 8.82
Amsterd	am		X index:							Pearson PowerGen	9.50	9.28 7.75	9.45	9,38 8,07
ABN-AMRO	57.30	51.20		49.20	Jakerta		000007	e index	448.53	Provident Fin	10.15	9.80 8.15	TOW LAS	9.99
Aegon Ahold	278.50	270.10 61.50		63				EVIOUS:		Rollfrock Group Rank Group	10.95	3.86	10.42	10.97
Akto Nobel ASM Litho	196.80	419	44.70	AL	Aziro inii Gudang Gatn	1575 9550	9000	1500 9700	1575 9550	Rechitt Cofrom	12.60	12.10	12.54	1205
ASR Verz	172	146	172	164.20	Indoor Not	2225 2675	2200 7600	2200 2675	2200 2730	Reed Inili Randokii infilal	192	5.21 2.60	5.34 3.86	3.90
Boom Co. Bois Wess cvo	92.10	31,80	91.70	31.90	Indefeed	2350	3200	3200	3400	Reuters Group Rio Tinto R	6.53	8.50	4.53	6.50
Cop Genini	135.90	134		133	Indonesa Syn	2075 11350	2050 10950	11000	2075	RMC Group	10.70	10,50	10.82	10.50
Donttsche Pet	111.10	108.10	110.40	196.30	Seepena HM Seepen Gresik	5225	4800 5175	5000 5450	5225	Rolls Rayce Royal Bk Scat	2.87 9.75	9.77	7.64	9.37
DSM Elsevier	204.B0	29.70	207.50 30,10	30,50	Tambang Tim Telekaraunikasi	4575 7150	6100 3050	6100 3100	3150	Royal & Sun All Saleway	7.03	2.55	3.66	357
Fortis Amey Getrooks	129,50 91,40	170	90.50	118.20	Termoco Perk	7990	2950	2950	2950	Schroders	29.79	28.25	4.80 29.05	28.92
Hogemeyer Holizeken	98,70	96.80	98	96,50						Scot Newcostle	9.33	8.58	9,30	9.07
Hoogovers cvs	95.70	97,10	494.50 95.50	464,50					_	Scal Power SEMA Grand	22.25	21.60	22.25	21.63
Hoot Dauglas IHC Caland	120.50	99.10 11B	107.50 179.50	98.50 117,60	London			E 100;		Severa Trent Shell Transp R	9.43	9.10	9.58	9.70 4.45
NG Group	137.50	135	139.30	131,30	Abbey Kats	11,30	10.90	11.14	11.23	Siebe	13.80	13.26	13.67	13.60
KLM	\$1.70 56.50	80,10 55,50	87.50 55.90	79,40	Alliance Leic	8.90	AIB	8.60	8.45	Smithicine Smiths lad	7.24 8.90	7.09	7.15 8.75	7.14
KPN NedBoyd	111.90	47.10	111.40	104.40	Affles Domecq Amvescop	6.83	6.17 6.67	6.83	6.80	Sthern Elec Stand Charter	5.40	5.30	5.52 9.29	5.40 9.19
Muzzka	70	68	48.B0	67.50	Anofice Water ASDA Group	2.10	2	9,13	9.16	Sun Life Prov	6.20	5.84	6.20	410
Oce Philips Elec	319.80	310	310	305 178	Assoc Br Foods	5.79	5,50	2.05 5.75	5.61	Tate & Lyle Tesco	4.99 5.80	4.77 5.60	5.70	4.80 5.63
Polygram	89.50 102	86.10 99.20	.88.20 100.40	83.40 97.20	BAA Bank Scotland	6.18 7.50	7.22	7.34	7.38	Thomes Water 31 Group	9,81 5,95	9.47 5.75	9.70 5.90	9.80 5.90
Remidisted Holy Robecto	217.70	216	216.20	271,20	Borckeys Boss	18.15	13	17.64	17.26	T) Group	5.43	5,35	5.35	5.40
Rodonco	56.50	56.10	56.20	54.20	BAT (md	5.01	155	570	549	Tomkins	3.53	3.49	2.52	3.53

BERN'ART

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13,500 32,100 18,564 11,564 11,564 12,564 13,564 13,564 10,368 11,219 12,19 13,564 10,370 10,388 11,219 12,19 13,564 10,370 10,3 Shimizu Chinefsu Chinefsu Chinefsu Chinefsu Chinefsu Chinefsu Chinefsu Chinefsu Chema Sumitomo Bit Sumit Chema Sumitomo Bit Sumit Trust Chema Chema Tolsho Phoma Takad Chem Tolsho Phoma Takad Bond Electron Tolsho Martne Tolsho Martne Tolsho Electron Tolsho Gas Tolsho Corp. Toppan Phint Toppa Impressionist & Modern Belgian Paintings Tokyo Nikissi 225: 15601.10 Previous: 15641.29 E x 100; b: x 1,000 Toronto



BESTER TO THE STATE OF THE STA 2100 21246 1945

Many markets in Asia and Europe were closed Friday for the May day holiday.

EUROPE: Hope for Solution to Bank Dispute

Continued from Page 1

next four to Mr. Tricbet, pntting him in charge for part of 2002, when euro bank notes and coins are to be introduced. Pierre Moscovici, the European affairs minister of France, said this would be a "wise solution."

Mr. Santer, however, said this would breach the Maastricht treaty on European Union and would therefore not be acceptable. The prime minister of Luxembourg, Jean-Claude Juncker, said be would veto such a proposal as being unconstitutional.

Nevertheless, Mr. Samer said, "I am confident that we will bave a decision on Saturday afternoon or Saturday evening. That was echoed by the European commissioner in charge of overseeing monetary union, Yves-Thibault de Silguy, who said, the naming of the first president of the ECB this week-

the government beads pre-pared to meet: A tremendous pared to meet: A tremendous comman objections, France one another Jan. 1. This meapared to filed. A deliverage was succeeded in setting up an insure is designed to create conditions on Prime Minister formal council of finance ditions of maximum stability going on Finite islands to ministers to run the euro zone, in the months leading up to the Hague in an attempt to shouting out the four EU the euro's introduction.

current bead of the European A German government Britain, Denmark, Greece Monetary Institute, and the source said Mr. Kohl had and Sweden. made a series of last-minnte

tral bank's executive board. market," Riccardo Barbieri, chief economist at Morgan Stanley Dean Witter, told Bloomberg News.

Meanwhile, finance minis-

phone calls to other leaders.

Another possibility was on the countries that will give that the summit leaders would up their national currencies in fail to reach agreement this favor of a new coinage called the euro.

Officials said the ministers and hold up the nomination of tria, Belgium, Finland, five other members of the cen- France, Germany, Ireland, l bank's executive board. Italy, Luxembourg, the Neth-European Central Bank — had reached the necessary would be bad news for the degree of economic convergence to be able to join the

LIRA: Pardon Italy if It's Gloating About EMU

Continued from Page 9

that on paper. If there is a recession, then we will behave as typical Italians — we will not respect the Maastricht parameters."

He added: "What can they do? We are in,

and they cannot kick us ont That sentiment is echoed even in the Italian
Treasury, where one official, who spoke on
condition of anonymity, explained that Italy would not lose if its discipline flagged. "It would be like kicking Alabama out of the

United States." he said. At home, Mr. Prodi's Communist allies are already making noises about leaving the govalready making noises about leaving une governing coalition in the fall, but given its recklessness that fueled business for decades. Corruption scandal brought down Italy's mightiest.

in power, Mr. Prodi's is the third-longest lasting government since World War II. Mr.
Prodi's ability to keep his Olive Tree coalition of Socialists, former Communists and former members of the Christian Democratic Party on a tight fiscal leash is attributable both to Italy's fear of a future ontside Europe and disgust with its own scandalous past.

Polls indicate that more than 70 percent of

Italians favor joining a European monetary union, with its single currency and central bank, mostly because they fear exclusion would condemn Italy to Third World status. And Italians still express anger over the

deep-rooted corruption, bribery and fiscal recklessness that fueled business and politics for decades. Corruption scandals eventually

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There will be agreement on One thing was certain as contain a political as well as rates at which national curend in Brussels."

weekend. The central bank post does not have to be filled until July 1. But many officials said that such a deadlock would send a negative mission, the EU's executive message to financial markets arm, that 11 countries — Aus-

To a large extent, analysts isters' decision and may ex-said, Mr. Chirac has made his press encouragement for point that the appointment of the central bank head should be a political matter rather soon as 2001 join the curthan an issue for central bank rency zone, which will link nearly 300 million people. governors to decide. The struggle to impose Mr.

patch together a deal with his countries that are not imme-Dutch counterpart, Wim Kok. diately adopting the currency,

seconded the opinion given in March by the European Com-

single currency. The beads of state Saturday will endorse the finance min-

Also on Saturday or Sun-Trichet is line with France's day, finance ministers were insistence that the euro must scheduled to announce the For more information: (212) 362-7200 Markets Closed

Floris Jespers (1889-1965), Clown Mascarade, "Mascarade de Clowns"

Oil on board, 17 - 1/2" x 47 - 1/4" (95 x 120 cm), signed bottom left.

1016 Madison Avenue, 2nd fl., NY, May 7 - May 30, 1998

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Wellington

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"Le Madular" in steel with sapphire crystal case back. Autamatic chranagraph with chranameter certificate. 5 year international warranty.

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ASIA/PACIFIC

Bank of Japan Splurges on the Yen

Tokyo Spent a Record \$21.35 Billion in April to Shore Up Currency

TOKYO - The Bank of Japan spent a record of at least \$21.35 billion buy-ing yen in the foreign-exchange market in April to try to bolster the Japanese currency's rise.

The banker said the actual amount of bankers said Friday.

Data from the central bank showed that the Ministry of Finance received 2.775 trillion yen — S21.35 billion at the rate of 130 yen to the dollar - from the private sector in April through its special foreign-exchange account.

Analysts said the volume of dollar

sales in yen terms could be roughly estimated from the data, which include receipts from such sources as commercial banks, foreign central banks. municipal governments, public funds and quasi-governmental institutions sagging yen, according to estimates by but exclude the Finance Ministry's sales of financing bills.
The Finance Ministry announced

that Japan's external reserves fell a In Tokyo on Friday, the dollar stood at record \$17.84 billion in April, to \$205.76 billion. The previous record decline was in March 1991, when the reserves fell by \$8.08 billion.

'Considering the amount that the banker said. BOJ intervened through our bank, the intervention was the largest in my fectiveness of the intervention apmemory," a banker said of the min- peared poor and that there was talk it

istry's actions in April. The banker said the ceotral bank's biggest year for intervention was 1996, when it bought about \$55 billion with yen to halt the

dollar sales in April could have been larger than the \$21.35 billion estimated by most bankers, because funds from Ministry of Finance deposits at commercial banks bad also been used.

The Finance Ministry has confirmed that the ceotral bank stepped into the foreign-exchange market to sell dollars in New York on April 9. Bankers said the central bank also intervened heavily in Tokyo the following day.

The Bank of Japan sold as much as \$20 billion on both days to support the traders. The dollar moved in a range of 127.40 yen to 133.50 yen during those days in New York and Tokyo trading. 133.05 yen.

"That says the intervention may not have worked effectively, despite the large scale of the action," another

The banker said that the cost-ef-

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Separately, Japan's household spending in the year that ended in March fell a record 2.1 percent from a year earlier, reflecting weak consumption as the nation's economy continued to suffer a downturn, a government

The decline, which followed a 0.1 percent drop in the previous year, was the largest since the Economic Planning Agency started compiling the data in 1963. The previous record was a 1.3 percent fall in 1994-95.

The Labor Ministry, meanwhile, said the average monthly salary declined for the eighth consecutive month, to 315,717 yen (\$2,385), 1.5 percent less than last year when inflation was taken into account.

In the year that ended March 31, salaries fell 1.2 percent, their first decline in four years, the ministry said. Among blue-collar housebolds, sala-ries dropped 2.5 percent in March, the fifth consecutive monthly decline, the Management and Coordination Management and Agency reported.

(Reuters, AFP. Bloomherg)

Very briefly:

• South Korea posted a record trade surplus of \$3.93 billion in April, in contrast to a \$1.41 billion deficit a year earlier, mainly because cuts in spending and investment slowed imports, the Ministry of Commerce, Industry and Energy said. But economists said the structure of the surplus was worrisome because export growth, already weak, would crumble unless the country could import necessary raw materials.

• South Korea's 26 commercial banks had losses averaging 35.1 million woo (\$25,071) per employee last year as their profitability plunged amid mounting bad loans, the Office of Bank Supervision said. A year earlier, the banks had a profit averaging 7.5 million won per employee.

• The Asian Development Bank's concessional loan reserves are short \$1.7 billion because of the weak yeo and because some shareholder countries have fallen behind on their contributions, the bank's chief, Mitsuo Sato, said.

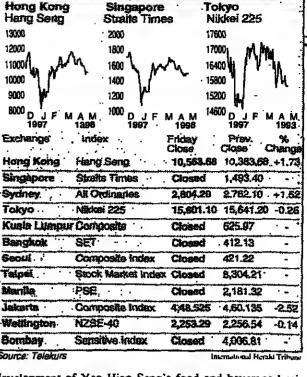
• Japan's motor vehicle sales in April fell 7.4 percent from a year earlier, to 302,667 units, the 13th consecutive monthly decline. Sales fell 20.7 percent in March, according to Japan Automobile Dealers Association figures. · Australia's prime minister, John Howard, vowed to press

ahead with reform of Australian ports regardless of the outcome of a legal baule for reinstatement of 1,400 dismissed dockers. There has been speculation that the High Court on Monday will reject an appeal by Patrick Stevedores against reinstatement of the dockers fired April 7.

• Mitsubishi Electric Corp. said it would have a group net loss for the year ended March 31 of 105 billion yen (\$789 million), compared with its earlier estimate of a 70 billion yen loss.

• Singapore Airlioes is holding preliminary negotiations to buy a stake in Thai Airways. Singapore Air said it had devel expressed an interest in buying a stake in Thai Airways but ness. said it would be "premature" to say more.

• Groupe Danone made an agreement to acquire a strategic Ltd., officials said. The two companies also signed an agreement to assess strategic opportunities for investment in and



Investor's Asia

development of Yeo Hiap Seng's food and beverage busi-

 Fují Bank Ltd. said it hoped to raise more than \$900 million Groupe Danone made an agreement to acquire a strategic stake in the Asian food and beverage maker Yeo Hiap Seng
 Friday from listing its American unit, Helier Financial Inc., on the New York Stock Exchange. Of Heller's 90.08 million shares outstanding, 33.5 million are to be listed, with an initial public offering price of \$27 a share.

Asia Crisis Takes Toll On Singapore Growth

Thai Prices Rise in April

sumer price index rose 10.1 July by delaying increases of

ago after having increased 9.5 charges.

percent in March Inflation The Commerce Ministry

averaged 9.3 percent for the said consumers bore the brunt

The April index was 0.7 April as prices of state-run

The International Mone- policy proposed by the IMF

tary Fund forecast in March of cutting government sub-

percent higher than in water, electricity and phone

The Associated Press

SINGAPORE - Singapore cannot escape the fallout from Southeast Asia's financial crisis, which has already set back the country's economic development by two or

Gob Chok Tong said Friday. He said regional troubles would shave more than two percentage points off growth this year, but he said Singapore had been less affected by the crisis than its neighbors.

The plunge in the value of our currency against the U.S. dollar and the drop in our share prices have been less fourth quarter of 1997. severe than in other countries," he said. But the coun-try will still feel the effects of Singapore to achieve the 2.5

BANGKOK -- Inflation,

fueled by soaring food prices

and untity charges, surged in April into double digits for the

first time since 1981, the Com-

The ministry said the con-

merce Ministry said Friday.

percent in April from a year

first four months of 1998.

that Thai inflation would ac- sidies.

Tovota Will Shut

New Zealand Unit

Agence France-Presse

Corp. will close its assembly

plant in New Zealand because

of a decision by Wellington to

abolish tariff duties on im-

ported cars in 2000, company

We will close the plant by the end of October, said a

spokeswoman for Toyota, Japan's largest automaker.

Toyota's move followed decisions by other Japanese

automakers to close ibeir plants in New Zealand. Nis-

san Motor Co., Mitsubishi Motors Corp. and Honda Mo-

ior Co. have said they would

shut their plants. Toyota said its plant in New Zealand pro-

duced 7,619 units in 1997 and

had 281 workers.

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executives said Friday.

TOKYO — Toyota Motor

March.

higher standards of living. But Mr. Goh said Singa-

pore's reputation among in-ternational investors had been enhanced because of the way it had handled the crisis.

The Ministry of Trade and three years, Prime Minister Industry released a preliminary estimate Thursday of 5.6 percent growth in gross domestic product during the first three months of 1998, compared with a year earlier. The figure was in line with expectations.

But Mr. Lee said the GDP actually shrank 1.4 percent in the latest quarter from the

For the year as a whole, he the turmoil around it, he said. percent to 4.5 percent growth "It is impossible for Singa- forecast in February. But, be pore to escape the turbulence said, "We cannot be certain it of the typhoon." he warned, will not be lower than this, if adding that Singapore had problems in the region adding that Singapore had problems in the region "fallen behind by about two to worsen." Singapore's econothree years" in its quest for my grew 7.8 percent in 1997.

celerate to 11.6 percent in

1998 from 5.6 percent in

Minister Chuan Leekpai has

tried to slow the inflationary

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basic food prices and utility

of higher utility charges in

services rose in line with a

Check out the

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The government of Prime

Ekaterina Gordeeva & Rosalyn Sumners

Deepak Chopra

Ken Follett (Author "The Third Twin")

Victor O'Reilly (Author "The Devil's Footprint")

Ehud Olmert (Mayor of Jerusalem)

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Scott Adams (Author, Cartoonist "The Dilbert Principle")

General George Joulwan (Former NATO Supreme Allied Commander)

Dr Mahathir Mohamad

Lloyd Axworthy (Canadian Foreign Minister)

Markus Wolf (Former East Germany's "HVA" Foreign

(Leader, Nation of Islam)

Daniel Tarschys (Secretary General, Council of Europe)

Nelson Mandela (President of South Africa) Steve Fossett (Balloon Enthusiast & Record Holder)

Stephen Covey (Ambor "7 Habits of Highly Effective People")

(Musician and Composer)

Jeffery Archer (Author, British Conservative MP)

Hillary Rodham Clinton (US First Lady)

Soren Jessen-Petersen (Director, UNHCR)

Frank Bruno (Former World Heavyweight Champion, British Baxer)

Ehud Barak srael's New Labour Party Leader:

Cyril Ramaphosa (Former Secretary General of the ANC)

Kareem Abdul-Jabbar (Basketball Hall of Famer)

Vendela (Supermodel)

Norm Thagard (Former MIR US Astronaut)

Robin Cook (British Foreign Secretary)

Jacques Santer (President, The European Commission)

Liv Ullman (Actress, Representative, International Rescue Committee)

Andrew Morton (Author "Diana: Her True Story")

Catherine Bertini (Executive Director, World Health Food Prugramme)

Emma Bonino (The EU Commissioner of Humanitarian Aid)

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Terry George (Film Director "Some Mother's Son" on IRA)

Rolf Ekens (IIN Special Commissioner on Iraq)

Kofi Annan (United Nations Secretary General)

(Head of Democratic Party of Hong Kong)

Salman Rushdie (Author "The Satanic Verses")

Max Moslev (President, International Auto Racing Federation)

Uri Geller (Paranormalist)

Maxim Vengerov (Classical Violinist)

Vijay Amritraj (Indian Tennis Star)

Inder Kumar Gujral

(India's Prime Minister)

Mo Mowlam

(British Northern Ireland Secretary)

Ismail Cem (Turkish Foreign Minister)

Alexander Downer (Australia's Foreign Minister)

Wim Wenders (Film Director "The End of Violence", "Paris, Texas")

Norman Augustine (Chairman, Lockheed Martin, Author)

Richard Butler (Chief UN Weapons Inspector for Iraq)

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A Slew of Unforeseen Factors Disrupt Investment Strategies

By Anne Bagamery

B UY STOCKS," the American humorist Will Rogers said. "If they go up, sell them. If they don't go up don't huy them." That is about as good advice as you are likely to get in a quarter that saw the Asian crisis spread to the Japanese economy, a 35-year-old economic reformer appointed to head Russia, a wave of bank mergers and profit warnings in the United States and Europe, and the Dow Jones industrial average break through 9,000 points from both

directions in the space of three weeks.

It all goes to show the central frustration of investing:
Painstaking research and shrewd instincts often are no match
for factors beyond your control.

With that warning, we present The Money Report's quarterly scoreboard, a compilation of the picks and pans that we provided in the first three months of the year. This is a preliminary look at how the tips panned out, many of them were made with a long-term horizon, and the newest ones are just one month old. Still, vagaries of the calendar are unavoidable, and sometimes they make all the difference.

Take Japan, whose coming financial de-regulation was the focus of The Money Report of March 7. Several analysts recommended a variety of Japanese equities right up until the end of the quarter. The reason: Japan's financial year ends March 31, and in the past Tokyo has come up with 11th-hour tax cuts and other stimulus measures to lift stocks and the yento inflate the value of corporate

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holdings before the books close for the year. That sleight-of-hand has worked before, and investors have enjoyed healthy, alheit short-lived, gains. But this time, weary of scandal and broken promises, investors did not hite: The Nikkei 225-stock index fell after the announcement March 26 of plans for a 16 trillion yen (\$124 billion) stimulus package. On April 24, the cutoff date for pricing The Money Report's first-quarter picks and pans, the Nikkei closed at 16,011.24 points — down 6 percent since the announcement.

Politics in Russia also turned out to have had an unpredictable effect on stocks there - that is, little effect at all. The nomination of Sergei Kiriyenko, a committed economic reformist, as prime minister in March might have been expected to plump the shares of major Russian companies. Yet investors apparently reasoned that Mr. Kiriyenko, 35, would be kept so busy with political infighting after his confirmation that other factors, such as oil prices and embedded structural inefficiencies, would prove more important to Russian stocks. Investors who took the advice of John-Paul Smith at Morgan Stanley on March 14 and sold ADRs of the big Russian oil companies AO Lukoil Holding and AO Tatneft could relax, as their former holdings sank 5 percent and 26 percent in five weeks.

Mergers and other corporate combinations seem to have been difficult to call this quarter, perhaps because companies, especially banks, were reluctant to commit in an unsure environment. The merger of Istituto Mobiliare Italiana SpA and Istituto Bancario San Paolo di Torino SpA was priced on April 26, six months after the two banks announced talks to create Italy's biggest financial company. Stocks in both banks mse before the announcement, so a short position in both, as recommended on March 14, would have left investors wrong-footed.

On the other hand, Commerzhank AG of Germany and many

U.S. banks that were touted as acquisition candidates are still waiting for the phone to ring. In their focus on regional U.S. banks. few analysts seem to have anticipated the two U.S. megadeals announced in April — NationsBank with Bank America Corp. and BancOne Corp. with First Chicago NBD Corp. Shares of all four have fallen since the April 14 announcements.

If ooe factor could override the unpredictable, it was specialization. The technology analysts who gathered March 21 for a roundtable know their stuff, and it showed: All but two of their picks rose, and the two that declined --- Peoplesoft Inc. and Integrated Device Technology Inc. — did so only slightly. Big winners among the expert picks included Level One Communications Inc., up 36 percent (chosen by Kevin Landis of Interactive Investments Technology Fund and Gill Cogan of Weiss, Peck & Greer Venture Partners), and LSI Logic, up 28 percent (chosen by Michael Murphy of California Tech-

nology Stock Letter).

Mr. Murphy, who also runs the Overpriced Stock Service, seems to be able to pick losers as well as winners: For the March 14 issue on stocks to avoid, he chose three companies whose shares were ripe to fall — Northwest Airlines Corp., UAL Corp.

and American Home Products Corp. — and all of them did.

Speaking of short positions, we warned in that March 14 issue that short-selling was a risky strategy, and this quarter's record proves it: Of the 28 sell recommendations in the quarter, 14 had risen in price by April 24. The problem with going short is that, because of the leverage involved, many investors cannot afford to hold on through a had turn of direction in the hope of long-term gains, as they could with a huy-and-hold strategy. Short-selling has to pay off quickly—or it does not pay off at all.

HEN a quarter is as full of nasty surprises as this one was, it may help ease the pain by taking a philosophical approach. Since The Money Report did just that on Jan. 24 by asking analysts to choose portfolios that might have been favored by six of history's most profound thinkers, it is only fair to now ask how these great minds did.

Mao Zedong, the founder of Chinese communism, missed his calling as a mutual-fund manager. His picks by proxy all rose, including gains of 29 percent from ABB Asea Brown Boveri (which, according to Don Sull of the London Business School, fosters "cultural revolution" through management shake-ups) and 44 percent from Netscape Communications Corp. (a formentor of "continuous revolution," according to Daniel Broby of Quitter & Co.).

Sun Tzu, history's foremost military strategist, picked two stocks that overran their rivals through sheer product superiority: Nokia Oy, up 79 percent even as competition heats up in mobile phones, and Microsoft Corp., up 33 percent despite an ongoing antitrust investigation by the U.S. Department of Justice.

Niccolo Machiavelli looked good on paper, hut in one way he failed to take his own advice: The Italian political philosopher put most of his eggs in one basket. The lion's share of his gains came from one stock, Berkshire Hathaway Inc., which rose 45 percent in the period, to \$68,000 a share.

Marcus Aurelius's record was respectable, thus proving the Stoic investment adage that one should not fall in love with stocks. Solid gains came from Roche Holding AG (up 13 percent) and Coca-Cola Co. (up 15 percent).

Friedrich Nietzsche, on the other hand, fared poorly: His blue-chip "buys," Gillette Co. and General Electric Co., posted double-digit gains, but so did his supposedly hubris-laden "shorts," Citicorp and Chase Manhattan Corp. Then again, as Roger Noddings of James Capel Investment Management reminded us. Nietzsche was insane.

Benjamin Franklin - author, statesman, inventor - did better than someone whose alter ego was Poor Richard. though not quite as well as most of the other philosophers. His three stock picks - Service Corp., GE and Thermo Electron-Thermo Industries — averaged a gain of 9 percent.

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Quarterly Scoreboard

Ignore the Bump

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THE MONEY REPORT

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Ignore the Bumps and Enjoy the Ride

(the Standard & Poor's 500-stock in-

dex or its equivalent) for at least 20

years lost a dime - even to inflation.

Mr. Siegel shows bondholders have

UR STORY so far: The Dow holding period, the best average real the market just before you retire. The Jones industrial average annual return for stocks was 12.6 per-market can, and does, tank. triples (including dividends) cent; the worst, 1.0 percent. in five years. Newsweek puts a muscular bull on its cover. The history has an investor who kept from market bulls and bears: No one can Economist of April 18 counters with a money in a diversified basket of stocks successfully time the market — that is, picture of a balloon, with the beadline, "America's Bubble Economy," and the message that the U.S. stock market is headed for a crash, imminently.

The Dow Jones industrial average falls 103 points from April 20 to 24 -only the second weekly decline since Jan. 9. Then, on Mon-

JAMES GLASSMAN ON INVESTING day, after news that the U.S. Federal Reserve Board might raise interest rates, the Dow drops 147

Looks like trouble, and the newspapers are full of stories about analysts predicting a slide.

But later in the week, the Dow bounces that economic growth is strong and inflation nowhere in sight - except perbaps in the stock market itself.

So what does it all mean to in-Nothing at all.

All the blather about the stock market being too high (or too low), about bulks and bears, about the latest gross domestic product and consumer price index - it is extraneous noise. Certainly, you should be alert to specific opportunities in individual stocks, and the economy and inflatioo sometimes influence the chances of, say, automobile stocks or bank stocks that might be depressed.

But what investors need to remember about the market are the simple things:

In the sbort run, slocks are wildly money-market funds. If you need your ing power of that \$72,000 will be mooey in the next seven years, you have no business putting a significant 2. Keep a diversified portfolio of portion of your wealth in the stock market. If you can keep your money sense to be in with both feet - as loog a wbole. as you can still sleep at night.

On page 27 of the new edition of "Stocks for the Long Run," Jeremy Siegel of the Wharton School at the University of Pennsylvania prints the single chart you need to understand to succeed in the stock market. It shows this: 1. From 1802 to 1997, the best one-

was 66.6 perceot. The worst was should have shifted at least half. The ninus-38.6 percent. exact proportions are a personal de-2. But if you look at every 20-year cision, but do not have all your money in

not been so lucky. The worst 20-year yanked all their money out of stocks period for bonds showed an average in- before the 1987 stock crash. But many flation-adjusted annual loss of 3.1 per- did not get back into the market until it

cent; for Treasury bills, a loss of 3.0 Here is another way to look at the results: For one-year periods from 1871 to 1996, stocks outperformed bonds 64 percent of the time. But for 10-year periods, they beat bonds 82 back by more than 200 points after reports perceot of the time; for 20-year periods, 94 percent; for 30-year periods,

> So, it is nearly a certainty that, if you can afford to keep your money at work for more than 20 years, you will do best in the stock market. At 10 years, the odds are not bad either.

100 percent.

TROM THESE time-tested oumbers, we can draw these conclusions:

1. Stay invested in stocks for as loog as you possibly can. This is the same thing as saying: Start early.

If you are in your 20s or 30s, consider despite the headline on the cover of The

yourself lucky. Keep \$1,000 in the Economist. If you are already in for the stock market for 40 years, returning 11 long haul, stay there.

What stocks to buy? I have long 1926, according to Ibbotsoo Associates been a fan of the portfolios listed in the and you will have \$72,000. Even volatile, but in the long run they are oo with inflation of 3.6 percent annually more risky than Treasury bonds and (about triple the current rate), the buv-

individual stocks or own broad-based mutual funds so you can be sure of working for the long-term, it makes doing roughly as well as the market as

> 3. Make sure you start moving from stocks into bonds or cash when you are drugs; International Business Machines in sight of retirement - or whenever you need the money.

For instance, you might hold 100 percent of your investments in stocks at Travelers Group, financial; Tyco Inage 50 if you are going to retire at 65, but ternational Ltd., diversified; United by 55 you should have shifted 20 percent year after-inflation return for stocks or so into bonds and cash, and by 60 you

BRIEFCASE

had already

passed its previ-

After you get

ous highs.

That brings me to another reason you

predict its next move. Not even the

As Mr. Siegel writes: "A number of

'market timers' boasted how they

out, you have to make another impossible

Mr. Siegel calculated how well long-

term investors did after getting into the

market at the worst possible times - just

as it was peaking before a historic bear

market. He found that if you had pur

. \$100 into stocks in August 1929, the

high before the crash, and if you bad kept

that \$100 in the market for 30 years, you

would accumulate \$565. A brilliant seer

who took his money out of stocks in

August 1929 and put it all in hoods

after the six greatest market peaks

since 1901, a \$100 investment in

stocks rose to \$510; in boods, \$177; in

If you are not in the stock market, this

The latest long-term growth list in-

cludes Adobe Systems Inc., software:

AirTouch Communications Inc., tele-

communications; Applebee's Interna-

tional Inc., restaurans; Avery Dennison Corp., chemicals; Cincinnati Milacron Inc., machinery; Fannie Mae,

financial; Fremont General, insurance;

Genentech Inc., drugs; Genzyme Corp.,

Corp., computers; Outback Steak-

house, restaurants; State Street Corp.,

banking; Stolt-Nielsen Inc., maritime;

Dominion Industries, machinery;

Wendy's International Inc., restau-

Washington Post Service

versify and internationalize.

it departments to provide

good-quality investment

products for portfolio man-

agers," he added.

rants; and WorldCom Inc., telecom-

is as good a time as any to get started -

In fact, on average, in the 30 years

would have amassed only \$141.

T-bills, \$125.

vestmeot Survey.

munications.

decision: When to get back in.

smart folks at The Economist.

In other words, never in American should pay no attention to all the talk

After the Deluge, Surprises in Asia

Incredible as it may seem, there is a stock in Sontheast Asia that has nearly donbled since the regioo's financial crisis began last year. Li & Fung Ltd., one of Asia's largest trading companies and a specialist in finding manufacturers in Asia for American and European companies, is a favorite of Richard Farrell, co-manager of the Guinness Flight Hong Kong & China Fund. The company's share price bas moved from 7 Hong Kong dollars (90 cents) at the end of October to 13 dollars oo Friday.

Despite the troubles in Asia, Li & Fuog reported a 25 percent gain in net profit, to 375 million Hong Kong dollars, for 1997 over the previous year. The company said it expected to deliver profit four years through internal expansion and acquisitions.

choices are Dao Heng Bank sales of properties. Group Ltd. Along with Chase Manhattan Bank, Dao Heng will be the first to offer fixedrate mortgages in Hoog Kong, where demand continues to outstrip banks' ability to lend.

"Dao Heng also has a stock eveo has a decent yield - just uoder 5 perceot," Mr. Farrell said.

He also owns Liu Chong

Hing Bank Ltd., a much smaller concern with a specialty of lending to investors who are buying on margin in the stock market. Although that may seem risky, "the bank is very experienced," Mr. Farrell Both bank stocks have re-

covered from their lows, but are still trading far below their peaks of last summer. Dao Heng, for example, was at 48.20 Hoog Kong dollars before the Asia crisis, fell to 10.50 and is now at about (IHT)

FOR INFORMATION about the Guinness Flight Hong Kong & China Fund. call 44 1481 712 176. Auterscan unvestors can call 1 626 795 9039. or. 104-free within the United States. 1 800 915 a565.

Student Housing In U.K. Sharia Fund

The United Bank of Kuwait has started an offshore fund to invest in British student residential property according to the principles of tional trading," he said.
"It will need to set up cred-

The Student Property Leasing Fund will buy oewly built properties, mostly in university towns, like Cambridge and Leeds, and lease

them on assured shorthold five years. tenancy agreements. These allow landlords flexibility in evicting deadbeats.

Property purchases will Sharia law, which forbids buy" recommendations on tained in the Luxembourg transactions involving in three companies: Altera Fund Encyclopedia show, terest on debt. To accommodate Sharia strictures, the sale \$40.50 a share, with a 12price of a property is typically raised to a level that approximates the value of principal and interest that would be paid over the life of a mortgage. When structured this \$55 in a year.
way, monthly repayments are Elsewhere, the firm has upeotirely of principal. The British property mar-

ket has enjoyed a revival over get on the stock to \$110 from the last two years after a slump that started in the late said, is inexpensive, com-1980s. The fund's managers pared with other industrial foresee strong demand for student bousing because the populatioo pursuing higher education has risen fivefold since the 1960s, to 1 million growth of more than 20 per-students, far ontstripping the ceot annually over the oext supply of housing owned by universities.

The managers anticipate a Mr. Farrell said be also net annual return of 9 perceot favored plays in "certain to 11 percent, to be paid lo parts of Hong Kong's bank-ing sector." Among his capital gains (or losses) on STUDENT PROPERTY LEASING FUNO IS domiciled in Guernsey in the Channel Islands. The minimum investment is £100,000 [\$166,800]. The fund has an initial sales charge of 1.5 percent, or 1 percent for investments of more than £250,000. The annual management for is 1.5 percent, For further information, con fact United Bank of Kuwan ya London at 44 17 487 6626.

FOR FURTHER INFORMATION about Dao Heng also has a strong balance sheet, and the strong balance sheet, and the www.ibt.com/IHT/MONEY/092097/in

Logic-Chip Makers Favored by Morgan

Morgan Stanley Dean Witter & Co.'s semiconductor analysts like the stocks of companies that make programmable logic devices, customizable computer chips that can be targeted to specific uses such as telecommunica-

The firm's chip team said in a recent report that investors bad been worried about the companies because of the industry's recent slowdown. But that has brought prices down to attractive valuations, they contended, given their outlook for an annual growth rate of 30 percent

for the industry over the next

or representative.

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North Star

Morgan likes the industry

because the companies can maintain high profit margins on their proprietary products. follow the tenets of Islamic The analysts have "strong Corp., currently trading at The annual, in its fourth year, month target of \$55; Lattice 1997, a 16 percent increase. Semiconductor Corp., oow at Assets under management about \$45 and estimated to rost 10 percent, to \$429.7 bilrise to \$75; and Xilinx Inc., lion. now \$45.75 and pegged at

> graded Intel Corp. to a strong Bank of Switzerland, which buy, raising its 12-mooth tarthe current \$80. Intel, they of assets under management, stocks, and they expect the market to rate it more bighly as computer users migrate to machines with Pentium II

Another semicooductor strong buy is Siliconware Precision Industries Ltd., a Taiwan-listed company that has a passel of subsidiaries and affiliates whose earnings are expected to grow and benefit the parent. Morgan analysts reckon that the parent's stock will be trading at 135 Taiwan dollars (\$4) in a year, up from 80 dollars oow.

vices, with \$3.1 billion. THE LUXEMBOURG FUND ENCYCLOPE-

Luxembourg's Star

As Fund Base Rises

popularity as a base for off-

shore mutual funds, data con-

lists 4.550 active funds for

The biggest fund promoters

are the three big Swiss banks:

Swiss Bank Corp. and Union

are merging and which had

\$42.5 billion and \$28.0 billion

respectively; and Credit Suisse, with \$31.1 billion.

that market throughout

Europe, Fidelity Investments

was the biggest, with assets of

\$6.7 billion, followed by

Fleming Fund Management, at \$5.7 billion, and Tem-

pleton Global Strategic Ser-

Among the fund families

Luxembourg is gaining in

THE LUXEMBOURG FUNO ENCYCLOPE-OLA 1998 is available from Fitzrovas Inter-national Ltd, at 4 Brook Street, London, WLY 1AA. It contains information about fund sizes, manager's and fees, and it lists dots for such allied industries as custodains and legal ad-visers. The two large loostical votumes cost £739, plus £39 for pocking and overnight de-livery. For more information, call 44 171 495 4777, fax 44 171 495 8023 or send e-mail to subs@fizzrovia.com.

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Can Portugal Manage Its Stock Boom?

By Alexa Olesen

low interest rates on bank ac- this month and is expected to counts for the booming stock draw 8 million visitors during market, but the country's do- the summer. mestic asset-management industry may not be up to the pare Lisboo for the exposition task of putting their cash to was ool an isolated outlay, but work, Moody's Investors Ser-rather the "icing on the cake" vice warned in a recent re-

"Portuguese fund managers are taking more credit 1999, according to the Porrisk in trying to improve yields, said David Vriesenga, senior vice president of have credit departments, and their ability to assess credit risk hasn't been fully developed."

the first round of European Monetary Union have resulted in a lively stock and fund market as Portuguese seek higher returns.

But they have lost that, basically. They will be looking at more sophisticated products and international markets where they might not higher returns.

Some funds, he said, suffered losses because of defaults on domestic commercial paper, while vehicles sponsored by the post office suffered liquidity problems, "making it difficult for many investors to redeem their sbares oo a timely basis.

Last year, assets in Porded by about 41 percent, to
3.26 trillion escudos (\$17.7

3.26 trillion escudos (\$17.7 growth that is expected to be dition to low interest rates, a growth that is expected to be growth that is expected to be catalyst for equity-invest- depended on its ability to di-

pouring money into currency and Expo '98, a mutual funds, fleeing world exposition that opens

The \$2 billion spent to prewas ool an isolated outlay, but of a broad infrastructure

tuguese Trade Commission. Dramatic cuts in interest

'Retail investment in equity has doubled in the past year or two, although it still accounts for only 20 percent of fund investing," said Francisco Tavora of the trade

commission. Low-risk bonds tuguese mutual funds expan-

ment growth was the govern-Two events this month ment's privatization prohelp explain wby: the inclugram. As well as increasing business is going to have to ORTUGUESE in- sion of Portugal as a founding the efficiency of the econo- expand its expertise in derivvestors have been member of Europe's single my, the sale of such large ative products and internastate-owned enterprises as Portugal Telecom expanded the oumber of large companies from which investors

could choose. As interest rates converge in the European Union. however, a market that asset managers previously de-pended on has diminished, spending program that will creating risky growing pains total \$20 billion by the end of for Portuguese mutual funds, Mr. Vriesenga said.
''Historically, Portuguese

fund managers understood rates engineered by the government in order to qualify for "But they have lost that, ba-

Once the euro, as the single currency is called, becomes a reality in January, the fiscal rigor the country has practiced to qualify for the monetary union may lapse.

Furthermore, funds from Brussels that are now belping money-market products, still drive infrastructure develop-the mainstay of Portuguese ment will in the future go to possible EU candidates in Eastern Europe.

rowth in that period. Mr. Vriesenga said he be-Mr. Tavora said that in ad-lieved that the success of Por-

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Further information: Websites with North Star prices/performance: www.ft.com www.lipperweb.com www.micropal.com

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Europe and the Euro



Six countries create the European Coal end Steel Community, first proposed by the French Robert Schuman, above.

Treaty of Rome between Frence, Germany, Italy and the Benelux countries establishes the European Economic Community, and the atomic

energy body, Euratom.



Britain, Ireland and Denmark join the EEC. Norwegian voters reject membership.



Greece admitted to the



The signing of the Single European Act establishes the goal of e single merket in Europe by the end of 1992. Spain and Portugel enter the community



The Maastricht treaty introduces European citizenehip, the goal of Economic and Monetary Union (EMU) and a central bank

The European Union, rechristened at Maastricht adds Austria, Sweden end Finland, bringing EU membership to fifteen.



May 2, 1998 Designation of initial participants in the euro, fixing of inter-European exchange rates, choice of central bank chief.

Single Currency Marks Triumph of Political Will

But Public's Enthusiasm Is Muted by Jobs Crisis

By John Vinocur

ARIS — The coming of European monetary union is a triumph of political will and a technical feat of remarkable ingenuity. It also involves an act of economic abstinence on an almost biblical scale — and there is the on-going rub.

As much genius and inspired political stubbornness as it has taken to get the single currency off the ground, no one has found the uplifting formula to turn the event into a source of enthusiasm and palpable prospects for millions of Europeans.

The reason is that preparing for the euro has meant no visible gain in creating new jobs. However great the accomplishment, no practical link exists in public opinion between the arrival of Economic and Monetary Union and a new prosperity glowing just around the comer from the debris of Europe's 18 million unemployed. The hard fact is that in Germany, France and Italy, the abstinence needed to create low inflation, diminished debt, and reasonable deficits for EMU, has not been paired so far with the labor market liberalization and more flexible social protection rules

that are described by the International Monetary Fund or the Bundesbank as the wedge that could break the cycle of Europe's joblessness.

In reality, the euro's run-up is associated in working people's minds throughout Continental Europe with hard economic times, a period when jobs died, and when the economic austerity required to meet the euro's qualifying standards — mortification rather than abstinence, in many cases -- be-

came a justification for misery. Since the Stability and Growth Pact that enforces abstinence remains in perpetual effect beyond the creation of the single currency, and since the loosening of the labor market continues mostly as a subject of debate or imprecise statements of intention in Continental Europe, all the signs of European growth now evident, and all the advantages of having a single money from Portugal to the border with Poland, don't automatically signal

the birth of a new era of confidence. There are no standing ovations for the euro in the streets of Leverkusen or St. Edenne, where everyone knows that the unemployment rate in Germany and France was over 12 percent in March. Instead, Europe's achievement in mov-ing forward with a epochal project for the

that the Euro is coming?

Does your software know

future can be described as being undercut by a lack of an emotional or practical link to the daily lives of its citizens.

According to Le Figaro, Jack Lang, the Socialist chairman of the French National Assembly's foreign affairs committee, has gone as far as describing Europe's circumstances as 'gray, toneless, and boring.

Indeed, even on the level of rhetoric. the community comes up short in not having a leader who can create a sense of promise and possibility beyond the discomfort of many of the enterprise's

In spite of his victory in Northern Ireland, Tony Blair, as prime minister of a Britain that has still not made up its mind on its commitment to Europe, does not have enough legitimacy as a Euro-pean to fill the project with optimistic, burnan content. President Jacques Chirac of France must deal with the contradiction of having been disavowed in a legislative election he called himself, and having his government follow economic policies he cannot endorse. Chancellor Helmut Kohl, the great motor of EMU's development, is confronted by the failure of his own grand

Continued on Page 20

Countdown Starts for New Money

By Barry James

RUSSELS --- A decades-long vision becomes reality Saturday with the formal nomination of 11 countries to join Europe's monetary union embracing 290 million Europeans in a single mar-

ker with the same money, the euro. At a summit meeting in Brussels, leaders will set in motion a complexindustrial, legal, and public relations process to conjure the new money into eing on Jan. 1.

It will take three years after that to manufacture and distribute euro notes and coins, in what amounts to the-

biggest product launch in history.
Central banks and mints in the 11 nations — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain - will put 70 billion euros into circulation and pool another 50 billion euros in the reserves of the European Central Bank to make the new money impregnable against speculators. Governments will have to print 12 billion banknotes in seven denominations ranging from one to 500 euros, and 76 billion coins in denominations from one cent to two euros...

Even before the currency goes into circulation in 2002, ordinary citizens will be able to use the euro from Jan. 1, 1999, in all scriptural transactions. That and charge cards, buying stocks and bonds and, in some countries, paying taxes. The total cost of introducing the euro is estimated at 1 to 1.5 percent of the 11 nations' gross domestic product, of which three quarters will be borne by industry, one quarter by banks and one quarter by governments and central banks, including the cost of producing

is in place, savings on transaction costs will amount to about 0.25 percent of GDP, in addition to efficiency gains, according to an estimate by the ABN-AMRO bank in the Netherlands.

The European Commission, the ex-ecutive body of the European Union, estimates that maintaining parallel sets of national currencies costs the European Union one percent of GDP each year. In addition, it says that exchange rate uncertainty, which will be elim-inated by the single currency, has had a significant and unquantifiable indirect cost because it has discouraged companies from pursuing trading and invest-

ment opportunities.

The GDP for the 11 countries in the euro zone — Germany, France, Italy, Belgium, the Netherlands, Luxembourg, Austria, Finland, Ireland, Spain and Portugal — was \$6.8 trillion in 1995. Germany's GDP was the largest with \$2.41 trillion, followed by France with \$1.54 trillion, and Italy with \$1.09 trillion.

Central banks in each country have the responsibility to protect the new currency against counterfeiting and theft. For security reasons, governments are not divulging details on how they intend to transport and store the cash.

Several countries, bowever, re-portedly are considering plans to store the money on tightly guarded military bases and deliver them to tens of thousands of banks and retailers on the backs rmy trucks in the days lea start of business in January 2002.

The huge hydraulic presses at the French mint in Pessac are ready to start churning out the new coins as soon as France's participation in the currency zone is officially confirmed. The mint has already stopped production of franc

Continued on Page 23



Euro coins and bank notes become legal tender. Local currencies will no longer be accepted after July 1

INSIDE

Experts cautious on economic growth without structural changes. What is the worst-case scenario facing the euro?

For the European Central Bank. a question of credibility. Governments will begin a media blitz to sell the euro to the public. Page 21

Officials move to lock the euro Historically speaking, the currency union has come far very fast. Companies have been slow to

get ready. Eleven different tax systems could be problematic.

The alcent of the Euro will cause headaches in many companies. Currency conversions and exchange rates may prove to be too much for some applications and wreak havoc in accounting. You therefore need a powerful solution that will prepare you for comorrow

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Will Consumers Win and Workers Lose?

Prices Are Likely to Go Down, but Unions Fear Wages Will Fall Too

By Tom Buerkle

ONDON - Touted as the culmination of Europe's common market, the single currency promises to do more to encourage competition across European borders than any piece of single-market legislation. But the question of who will benefit -- consumers or producers, workers or their corporate bosses - is a po-

litically loaded question. From Lisbon to Helsinki, Stuttgart to Turin, monetary union will allow consumers to compare directly the prices of everything from automobiles to aspirin as national currencies vanish and every-one buys and sells in euro. With prices of virtually identical goods often varying today by 20 to 30 percent or more between EU countries, most analysts expect consumers to reap benefits as prices converge toward the lower levels, especially for big-ticket items like cars

or appliances.
"The trend is going to be, on average, toward a lower level," said Vicky Pryce, chief economist at KPMG Management Consultants. 'Some companies will no longer be profitable."

In the job market, the situation is far from clear. Many employers say they expect the effect of the euro will be to boost wages on average toward the higher levels prevailing in Europe. But nnions fear the euro will be a powerful tool for business at a time of doubledigit unemployment, enabling management to threaten to steer jobs and invectment to low-wage areas unless their

better-paid workers make concessions. "Single market, single money, single wage," said Peier Coldrick, an economist for the European Trades Union Confederation. "It's not going to be that simple, but the pressure is going to be in

The greater transparency in wages "will not make it easy for our unions to negotiate increases," said Bernadette Tesch, who heads the Brussels office of Eurofiet, the federation of European unions covering banking, insurance and other service industries.

From 1985 to 1993, the variation in the price of nearly identical consumer goods between high- and low-cost EU countries declined to just under 20 percent on average from 27 percent, while the variation in prices of similar services declined to 28 percent from 35 percent, according to the European Commission, the EU executive body.

John Sharpe, head of household and personal care products at Unilever, said the company had seen stagnant or falling prices for laundry detergent and other products in hard-currency countries like Germany, Austria and Belgium in recent years, trends that were only partly offset by rises in Spain, Italy and Britain. "The markets we compete in are very competitive," Mr. Sharpe said. "There's

very little room to put margins up."

Still, many sharp differences persist.

Translated into European currency units, today's prototype of the euro, a McDonald's Big Mac costs 1.85 Ecus in Greece, 2.55 Ecus in Germany and 3.50 Ecus in Denmark, Cellular telephone charges for low-volume consumers in

Germany and Greece are more than five times higher than the 0.50 Ecu charged in Finland, Europe's low-cost market. Prices of most automobiles vary by

∿™domo Ban€.

Union Bank of Switzerfand.

Dai-Ichi Kangya Bank,

hito: Www.Devia com

more than 20 percent across the EU.

Mindful of the gaps, EU finance ministers agreed in March to monitor the prices of a range of goods and services in a bid to pressure industry for more uniform, and lower, prices. "If competition is really working, you should have a convergence toward the lowest' price levels, said Betty Olivi, a spokeswoman for the EU single market com-missioner, Mario Monti.

Several factors could mitigate that tendency, though. Package sizes and product preferences vary from country to country. In pharmaceuticals, for instance, national regulations on pricing and reimbursement by socialized health systems result in identical drugs being sold in different package sizes and at different prices.

"We don't think there's going to be a complete upheaval in the pricing system," said Alex Ferguson, finance director at Zambon Group, an Italian drug maker. "Companies themselves will have an interest to maintain price differentials." And for many inexpensive consumer goods, prices could edge up through rounding. The Big Mac that re-tails in Brussels for 109 Belgian france (about \$3) would convert to 2.76 euros at the most likely conversion rate, but as McDonald's rounds most of its prices in Europe, that could become 2.75 or 2.80.

The restaurant chain hasn't adopted a Continued on Page 20

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Bank of Tokyo - Mitsubishi. Tokyo, Japan.

Sakura Bank. Tokyo, Japan. JP Morgan & Co. New York, USA.

Long-Term Credit Bank Of Japan. Tokyo, Japan.

Crédit Lyonnais. Paris, France.

Crédit Agricole. Paris, France.

Bank of China. Beijing, China.

Rabobank Nederland. Utrecht, Netherlands.

Tokai Bank. Nagoya, Japan. Amsterdam, Netherlands.

Chase Manhattan Corp. New York, USA.

NationsBank. Charlotte, USA.

Industrial & Commercial Bank of China. . Beijing, China.

Westdeutsche Landesbank Girozentrale. Düsseldorf, Germany.

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Montreal, Quebec, Canada.

Sumitomo Bank. Osaka, Japan.

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Industrial Bank of Japan. Tokyo, Japan.

Société Générale. Paris, France.

Banc One Corp. Columbus, USA.

Milan, Italy.

European Union.

Union Bank of Switzerland. Zürich, Switzerland.

Groupe Caisse d'Epargne. Paris, France.

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Fuji Bank. Tokyo, Japan.

National Westminster Bank. London, United Kingdom.

Dresdner Bank. Frankfurt, Germany. National Australia Bank. Melbourne, Australia. Canadian Imperial Bank Of Commerce. Toronto, Ontario, Canada.

Dai-Ichi Kangyo Bank. Tokyo, Japan.

Banque Nationale de Paris. Paris, France.

First Chicago NBO Corporation. Chicago, USA.

Asahi Bank. Tokyo, Japan.





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Without Structural Changes, Experts Cautious on Economic Growth

By Alan Friedman

OME — The introduction of Europe's single currency in January 1999, despite much rhetoric about savings on cross-border transactions and other benefits, is unlikely to generate much new economic growth on its own. Nor, say many economists, will it have an immediate impact on the plight of the Continent's 18 million jobless.

But economists across the Continent agree that the euro will offer a golden opportunity for corporate efficiency gains, especially as it will be born against the backdrop of a robust and spreading European recovery which is expected to continue during 1999.

In addition, the existence of a single currency zone covering 11 nations with a population of 290 million people sbould also belp to create a far more competitive business environment and a more vibrant capital market than Europe bas seen during its fragmented past. This, in turn, could be highly beneficial in stimulating investment.

The euro, say the experts, therefore stands a reasonable chance of belping to spur additional growth in the medium term, but only if its introduction is accompanied by decisive reforms aimed at making labor markets more flexible and slashing the high taxes and bureaucratic obstacles which bave beld back.

Europe's economic potential for years. This is a big if, because most of Continental Europe's political leaders bave been unable nr unwilling in recent

years to push through such measures.
"The euro zone is going to enjoy a golden childhood," said Kim Schoenholtz, chief ecnnmist at Salomon Smith Barney in London, "But the real question is whether European policymakers will take advantage of the early years to make deep structural changes,

The argument put forward by Mr. Schoenholtz and many other private sector economists is that by itself the euro may add a 10th or a quarter of a percentage point to European growth, which in 1999 is expected to run at a healthy 3 percent average. Eliminating transaction costs for changing currency and helping to make capital markets more efficient should provide this mar-

But structural change — the code word for making hiring and firing easier, for reducing public spending on pension and other welfare state benefits, and for lowering Continental Europe's high employer contributions and social charges — is viewed as the missing ingredient which politicians still need to add if they want to nurture lasting growth and reduce unemployment.

Paul Mortimer-Lee, chief economist at the London nffice of Paribas, said that Europe's average 11 percent unemplnyment rate may level off nr even come down a little bit over the next year or so, but he noted that growth itself won't be rapid enough in cui unemployment without far-reaching structural reforms. "Structural reform is what is missing

in order to make monetary union work well," said Mr. Mortimer-Lee, who also warned that by planning to reduce the warking week from 40 to 35 hours, both France and Italy "are going in the wrong direction."

David Roche, senior partner at eco-omic researchers Independent nomic researchers Independent Strategy, said: "There is a big difference between theory and practice. The theory is that the single currency and single market will increase competition dramatically and thus create more growth. I would say the practice will be that increased competition will squeeze European corporate profit margins and

especially in the labor market. If they don't, then the EMU world will face a sizing and, initially, more unemploy-

Another problem, according to Mr. Roche, is that, unlike the single currency of the United States, Europe does not really have labor mobility. "Bluecollar people in Europe are basically immobile, he added.

Like his fellow economists, Mr. Roche noted that "the only way to get more employment is through structural reforms, and I don't see that happening because the various currencies might change and become the euro, but the politicians have not changed."

Advocates of the euro such as Yves-Thibault de Silguy, the European economics commissioner, argue that the mere existence of the euro, and of more economic policy coordination at the new European Central Bank and through the new Euro-X policy forum, will help individual governments to tackle politically unpopular welfare and workplace reforms.

The assumption is that a unified Europe under the new single currency will allow politicians to press for reforms at bome just as the Maastricht treaty helped them to push for fiscal austerity in order to reduce their budget deficits.

"The euro should be a catalyst for structural reform," said Mr. de Silguy, although he noted that the reforms will be needed not just because of the euro but in particular because of the need to make companies and countries more competitive in Europe's single market and in the context of the global mar-

Which countries stand to gain the most from the introduction of the euro? Economists agree that it will be those nations which have traditionally had short-term interest rates far higher than the German level, which is now just 3.3

The consensus is that when the Euro-

pean Central Bank sets the first single currency zone interest rate next January it will be around 3.7 to 3.8 percent. That level will be higher than existing rates in France and Germany, the core countries in the euro zone, but below the traditional levels in countries on the peri-

phery.
Mr. Roche said, "I think we will get very fast growth rates in Italy, Spain, Ireland and Finland, because their interest rates will come down and they will get the biggest monetary kick in

Already, equity markets in these countries are duing well as investors anticipate the economic benefits of lower interest rates.

But the real test of the single currency's impact on the European economy may only come years after its in-troduction, when some regions in the euro zone face recession.

The reason, say economists, is the Stability and Growth Pact, which Germany bas insisted upon and which calls for stiff penalties on countries that exceed the Maastricht ceiling of a deficit below 3 percent of gross domestic

Under EMU, individual cnuntries will no longer be able to devalue their cur-rency nr cut interest rates to compensate for recession. And with the stability pact strictures, they will not be able to spend their way out of recession either. Backers of the stability pact say they

are not worried because it allows for countries to break through the 3 percent ceiling under exceptional circum-Critics, meanwhile, say the pact will

tie the hands of governments that normally would increase public spending in times of an economic slowdown.

ALAN FRIEDMAN is the International Herold Trihune's global economics

The political nature of the euro bolds

the key to its possible success and po-

tential failure, according to a half-dozen

In using the single currency as a har-

European officials and business exec-

ness for European power, political leaders have, in effect, been using a currency

device to mask their basic aim of mak-

ing unpopular changes to help Europe

meet intensifying international eco-

But by an accident of history, the



Thousands, fearing euro will bring layoffs, protested in Paris in January.

Worst Pitfall for the Euro: Social Revolt Could Force a Nation to Withdraw *

By Joseph Fitchett

ARIS - The worst risk facing Europe's single currency — in fact, probably the only potentially catastrophic one - would not look much like a currency crisis. Instead, the euro's worst potential pitfall would probably arise as a social revolt in one of the member countries, confronting a government with the choice of losing office or abandoning monetary union.

Such a choice would quickly develop into the most radical geopolitical gamble by a democracy since World War II, It would involve not just re-establishing that country's national currency but also extricating the country from many other European Union institutions, shaking the entire EU along the way.

There are no clear procedures for getting out of the euro, but governments can always break treaties by invoking overriding national interests. The legal complications would be minor compared to the other costs.

A nation that went its own way would lose thousands of jobs over the ensuing months as doubts grew about economic prospects in that country; politically, dropping out would signal that a country was moving away from the European and international consensus. The departure of a major country, such as France, would poison the economic climate as badly as General de Gaulle's decision to leave NATO in 1967 skewed France's inter-

single currency is being born precisely at a time when the convulsive process of change known as globalization is striking Europe with full force, bringing intense competitive challenges and record joblessness. That coincidence lends some degree of credibility to disforces build up in the weakest corners of order to push the euro back down. the European economy and finally erupt

nomic pressures.

at a politically sensitive moment.

The threat, a European finance minister said, on condition that he unt be named, "is a nationalist backlasb, against economic modernization in general that triggered a revolt against Euro-pean integration that took the euro with

sit."

Since reunification of Germany nearly 10 years ago, the theme of a single currency bas played a central role in reassuring Germans and their neighbors that Europe will be capable of absorbing this unified national powerhouse. This overriding political purpose, the executives and officials aid, will ensure that governments find fixes, if necessary to governments find fixes if necessary to overcome foreseeable problems, includ-ing the likelihood that monetary union will produce social tensinns and policy debates that may damage ties between the countries in the euro.

Almost certainly this will happen as countries try to reach a common approach on shutting down agriculture operations that have become internationally uncompetitive or finding ways to pay for retirement benefits. The 11 countries involved bave very different demographics and sharply differing attitudes toward the idea of using the

stock market to fund pensions. Awkward as it is to seek accommodation, these issues are so thugh that governments may actually gain by banging together — forced by the euro. If a small country felt pushed to its political limits, its problems might be manageable for other governments and the euro would sail on even if a small nation withdrew,

The problem would be different with

a major country. If, say, France withdrew, Europe would consolidate around a group of countries dominated by the Deutsche mark. There are also fears that Washington

might sabotage Europe's step toward economic unity by driving down the value of the dollar against the euro, thus spurring U.S. exports and damaging

European growth prospects.

But this seems unlikely. Too much U.S. money is invested in Europe for Washington to target the euro. If events drove the euro too high, it would motivate the European Central Bank to cut rates in

Of course, even if each of these pit-falls can be avoided, there could be a larger negative sum of the parts — that Europeans, in their great diversity, begin to dislike each other more as they become more intimate because of a common currency.

Once their fortunes are linked in the euro, will Italians resent Belgian strikes for hurting the euro? Will Dutch pharmacists complain about subsidizing Spanish agriculture? It will be a race, a Dutch banker said, to manage such grievances for at least a decade—the period generally conceded necessary for the euro to pay benefits in terms of greater labor flexibility and mobility.

At that point, the euro presumably. would become irreversible.

the Internotional Herald Tribune.

A Few Weighty Facts About the New Currency

"Nordic gold" or coppered steel. Some consumer groups are concerned that the proposed use of a enppernickel alloy in 1 and 2 cent coins could tion period before euro notes and coins will have 50 billion euros at its disposal result in eczema on users'

THE EURO symbol is a Greek epsilon harking back to the first days of European civilization, crossed by two par-

in both Latin and Greek script, al- them distributed by banks, industrial though Greece will not be among the groups and supermarket chains as marfirst wave of countries adopting the keting aids. They should by law show

THE 12 billion Euro bank notes—
5/gray, 10/red, 20/blue, 50/orange, 100/green, 200/brown and 500/purple—will depict prevailing architectural - will depict prevailing architectural cnco, the age of iron and glass and the counterfeiting will include fluorescent

IT WILL take about 300,000 tons 20th century. The designs feature win-fibers, a multitone watermark, security symbolizing communication.

> IN THE THREE-YEAR transiare introduced, cnm-

mercially posted con-version rates will legally be in one direction only — euro tn national currency. More than 100 elec-

allel lines denoting stability. tronic currency con-The euro will be written on bank notes verters already are available, most of conversion rates in six significant di-

MORE THAN 90 percent of euro styles during seven ages of European history — Classical, Romanesque, Gothic, Renaissance, Baroque, Robank printing plants. Measures against

of metal — 400 times the weight of the dows and gateways on the face, sym-Eiffel Tower — to mint 76 billion euro bolizing the spirit of openness and co-coins. Most of the coins will contain operation, and bridges on the reverse enabling them to be read by bank and vending machines.

> THE EUROPEAN Central Bank in reserves pooled by the central banks of member states.

The central bank contributions will be equally based on the number of inhabitants and the gross domestic product of the member states. Profits made by the European Central Bank

will be redistributed among the member states. 'Cross-border financial transactions will be made through TARGET, which stands for Trans-European Automated Real-time Gross senlement Express Transfer System.

GERMANY will hold the presidency of the EU when the euro is introduced in January. Spain will be in the chair when notes and coins are introduced in the first half of 2002.

- Barry James

Will Consumers Win and Workers Lose?

Continued from Page 18

euro pricing policy yet, but it insists that it won't use the transition to raise prices. "Our customers come to us because they trust us," said a spokeswnman, Alessandra di Montezemolo. "We want them to continue to trust us.'

"The tough competition in Germany will not allow windfall profits by rounding up prices," said Hans-Joachim Wieckmann, chief spokesman for Cologne-based Metro AG, Europe's largest retailer. But the temptation to round up may be intense. Metro estimates it will spend 500 million marks (\$285 million) to 600 million marks to convert its accounting systems and cash registers to the euro. Those costs are more than half of the company's 1997 operating profit of 930 million marks.

The European Consumers' Organization contends that the only way to stop hidden price rises is to mandate the posting of dual prices in national currencies and in euros during the tran-sition. But the EU Commission last month declined to take that step and instead called on retailers and consumer groups to reach voluntary agreements

on price displays. On the job front, a recent survey by KPMG found that twice as many corporate executives expected wages to rise on average because of monetary union than to fall. Ms. Pryce said relatively few companies have shut factories in high-wage EU countries and moved to low-wage areas. Companies have tended to steer more new investmen' into low-cost areas -- for ex-

ample, some German companies have. Later this year, the unions will atexpanded production in Italy — "but then Italian wages go up and you haven't done anything about German wage. The aim is not to set a single EU wage. "she said wages," sbe said.

But some unions tremble at the prospect of the euro. In banking, which accounts for 2 million jobs in the EU. many analysts predict a wave of crossborder mergers on the back of the euro and hundreds of thousands of job losses. France's top four banks — BNP, Societe Generale, CCF and Credit Lyonnais would have to shed more than 50,000 workers to match the staffing efficiency of Britain's Barclays Bank, analysts at Morgan Stanley Dean Witter estimate.

Banks also will be looking to recoup some of the estimated 30 billion Ecus they are spending to alter their computer systems and cash tills for the euro. Here, the transparency that a single currency will cast on labor costs could strengthen management's hand, unions fear. The average salary of a bank teller translated into Ecus ranges from 740 Ecus a month in Portugal to 1,350 in France and 2,400

We don't believe it will be taken out of shareholders," said Ms. Tesch of Eurofiet, referring to banks' conversion costs. "We don't believe consumers will pay for it. So we fear workers will pay for that.'

Trying to stay ahead of euro-related pressures, leaders of European metalworkers' unions will meet this June in a bid to agree on an EU-wide target for limiting annual working time, which currently ranges from around 1,600 hours in Germany, Austria and Finland to 1,900 hours in Spain and Italy.

man autoworkers earn more than twice the salary of Spanish autoworkers, but to agree on guidelines such as linking wage increases to productivity growth, and to increase regional cooperation.

When the German union IG Metall met with steelmakers to negotiate wages for the German state of North Rhine-Westphalia late last year, the union side for the first time included representauves from the Belgian and Dutch metalworkers unions.

"If we don't have such common rules, we will have much stronger competition between regions, and we would just increase the possibility of social dumping," said Reinhard Kulhmann, assistant general secretary of the European Metalworkers Federation.

Mr. Coldrick sees several factors mitigating any downward pressure on wages. With most economies picking up on the Continent, Europe could be heading for several years of above-trend growth of 3 percent or more. And the rise of Social Democratic parties, which will control all major EU countries if Gerhard Schroeder defeats Helmut Kohl in Germany in September, suggests that Europeans and their governments won't tolerate crude hire-and-fire policies.

'I'm pretty optimistic that we won't see generalized social dumping across Europe, or a generalized leveling down of wages," he said.

TOM BUERKLE is on the staff of the International Herald Tribune.

And If It Went Wrong...

potentially disastrous for the euro: It is late in the year 2001. France is gripped by work stuppages and social crises that have brought the country close to parolysis. Although the euro's introduction provided an economic filip, growth had fizzled as Asia failed tu recover from its economic slump. As a result. French society remained deeply divided amid layaffs, pensian restructuring and caster access to the French market fur fureign business and wurkers — all painful changes seen by disgruntled French as caming

from Brussels. Facing subsidy cuts from the eashstrapped government, hospitals had anly been taking emergency enses far three weeks. French railways were striking one day a week. Farmers, protesting the nurket inroads of European produce, had cut links with Spain. Such crises were nothing new in France, but Prime Minister Lionel

A worst-case scenario, unlikely but no longer existed. Nor could be resort to tax cuts or subsidies because the government deficit was already at the ceiling set by the European Central Bank. The bank was determined to prevent inflation and protect the single currency's internotional purchasing power, a strategy that lind worked in Europe aver time. But time was running out for Mr. Jospin as he and his Socialists faced elections in 2002.

The Socialists were increasingly isolated as other parties, from the Communists to the Gaullists to the National Front, blanted France's frustrations on European integration, including the euro. Mr. Jospin needed a dramatic gesture of international support — perhops to multihillion-dollar modernization loan. He put in a call tu Berlin: but Chancellur Gerhard Schroeder, a fellow Socialist, has his own domestic problems.

. Mr. Jospin later announces his government's decision to suspend Justin lacked the levers his predecessors had used to buy off interest groups and inwind lubor protests. He sharply punish France, pushing any could nut decree wage likes and then hopes that it can rejoin monetary undevalue the franc, since the currency ian into the unforesecable distance.

The Rub of Economic Abstinence

Continued from Page 18

promises for Germany — creation of a "blooming landscape" in the old East Germany, and slicing unemployment in half for the entire country by 2000.

Rather, the strongest and most charismatic new European political player, Gerhard Schroeder, who is running for the Social Democrats against Mr. Kobl in the Sept. 27 elections, continues to talk as if he were made wary by the Organization for Economic Cooperation and Development's very modest new projection on Europe's performance in creating jobs in 2003, once the

new currency is in every day use.
The OECD predicts unemployment five years from now at 9.7 percent in Germany, 10.1 in France, and 10.9 percent in Italy, an improved situation over present rates, but still roughly double the current level of joblessness in the United States, and hardly the dramatic turn-around that would make the euro the symbol of a European economic renais-sance. When combined with the OECD's projected growth rates in those countries of under 3 percent from 2000 to 2003, the result fails sbort of a profound turnaround in the employment market.

Not only does Mr. Schroeder steer clear of making any connection between economic union and cutting unemployment, but he says "small- and middle-sized firms will find the start very tough. with the possibility that many of the middle-sized ones won't survive. You can't miss the alarm signals," he told the German newspaper Bild. For Mr. Schroeder, the problems at

ground level go further. 'The costs aren't clear yet.' he said. What is clear, however, "is that states until now could devalue to catch up when they got in economic trouble. With the curo, that's excluded. So two possibilities remain, Either the strong euro countries, above all Germany, pay financial compensa-tion to the weak states — which isn't the way things are planned — or the countries in trouble make cuts, for example in social services. Then what you have is people in Rome, Madrid. Paris or Lisbon going into the streets and demonstrating against the cuts, Brussels, and the curo. That tears Europe apart, rather than bringing it closer." Of course, Mr. Schroeder also insists that the curo is a fact, and that a new German government will be working for new jobs, while trying to avoid competitive tax-dumping and cuts in environmental spending.

The problem for Europe comes down to having a new framework for economic life that continues to carry specific constraints, but without a unanimous and politically acceptable plan for creating jobs that would make the abstinence seem worthwhile. For the time being, the likely solutions are located outside the public debate and the parameters of elections and national reflexes.

One approach would be the relaxation of the stability criteria, as some leaders privately suggest, so as to reinforce upward trends in growth and bring momentum to any positive movement in creating jobs. If this were to catch on, it could create a favorable context for a German-French jobs and tax initiative.

easing hiring rules and lowering taxes. In a Europe that holds to the idea that its greatest achievements include its laws on social protection, this would require political artfulness on the level of creating the EMU itself. It would also probably be an enormous step in turning the economic union into the asset for Europeans at every level that its founders pledged it to be.

JOHN VINOCUR is the International Herald Tribune's seniar correspon-

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EUROPE AND THE EURO / A SPECIAL REPORT

New Bank Faces Credibility Gap

By John Schmid

RANKFURT — At least on paper. Europe's new central bank will be the most independeot in the world and thus one of the mightiest. In practice. however, its power to choke inflation. discipline governments and brake or accelerate the economy for 290 million Europeans in 11 nations will hang on a thread called public trust.

Without popular support, unpopular actions to restrain growth or lift lending rates will become difficult to impose. That is an old fact of life for other autonomous central banks. But Europe's monetary gnomes will need to build from scratch that vital if intaogible relationship in a way thar no central bank ever has done before.

Communicating the intricacies of money supply to noneconomists has never been easy. Such public relations will become even trickier given 11 nations with economic cultures that vary widely.

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Central bankers are infamous for their esoteric urterances and auras of secrecy. In the unchartered new landscape, such technocratic traits are luxuries that the European Central Bank cannot afford, according to central bankers, European politicians, think tanks and economists.

The independence of the future ECB will only meet with public acceptance if the ECB enjoys a high degree of legitimacy." said Christa Randzio-Plath, a member of the European Parliament, who chairs the subcommittee on monetary affairs.

The independence of the future central bank will go further than that of any other central bank, said Ms. Randzio-Plath, who is pressing for strict rules of accountability. "This unprecedently high degree of inde-pendence will call for a correspondingly high level of democratic accountability.

The stakes are high. Failure to make the bank credible to the public and financial markets could lead to an early erosion of public confidence, A backlash could put pressure on politicians to search for easy money and cheap credit as the quickest answer to Europe's chronic unemployment Without public support, the bank would have no recourse to fend off the pressure, weakening its autonomy.

Such an oulcome commensurately. would diminish the bank's mandate to control inflation. At the very least, the common market would fall short of its full potential. At worst, the linchpin of European economic integration would be discredited, stalling any future steps toward political integration that many hone will come in the euro's wake. Markets would react by pushing longterm interest rates higher, handicapping borrowers and government alike and slowing the economy in the process.

Given the high unemployment in most European countries, pressure will be exerted on the ECB right from the start to tone down the priority of price stability in favor of boosting employment. warned Otmar Issing, the chief economist at the German Bundesbank and Germany's nominee to the six-man executive board of the ization" of views are real, especially

European Central Bank, Political independence amounts to a "necessary but not sufficient condition" to op-

Such pressure has been evident in demands last year by French politicians for a political counterweight to the new body.

"If the public feels duped by the central bank, that central bank forfeits its credibility for many years to come." Mr. Issing said:

All this adds up a tricky balancing act. Confidence in the new bank has already been hurt, many analysts believe, by the 18-month political feud over the bank's top postings. France has insisted that Jean-Claude Trichet. the governor of the Bank of France, head the new bank. Germany and nearly all other EU nations have supported Wim Duisenberg, president of the European Monetary Institute. European leaders hope to resolve the feud over the presidency by Monday, although it is unclear whether they can reach a consensus by then.

In Frankfuri, the central bank's home, a senior staffer said accountability ranks as one of the most hotly discussed issues. Among the bank's first decisions after it begins operations in May or June will be how often its directors will appear before national Parliaments and the European Parliament and whether and when to publish minutes of its meetings.

In Brussels, the European Parlia-

ment this month passed a resolution calling on the European Central Bank to testify four times a year.)

It is not a question of hiding anything." the staffer said: "The question is how much confidential work can be carried out leading up to interest rate decisions without jeopardizing them. Afterwards, of course each decision must be full explained," The bank's six directors and 11 board members will then preach the gospel of fiscal discipline nearly every day.

They have to give a clear explanation of what they are doing and why," said Holger Schmieding, economist in Frankfurt for Merrill Lynch.

If the Bundesbank, the model for its European successor, is any guide, their message will hardly endear them to the euro electorate. Interest rates for many of the euro nations might rise early and hard as a way to establish the bank's inflation-fighting credentials, several think tank analysts have predicted.

The central bankers also are certain to urge governments and unions tu make painful changes in labor markets on the ground that chronic unemployment can erode support for tight money policies, analysts said.

Credibility will suffer quickly if na--tional fault lines begin to show. Failure of the directors to speak with a single voice would plant suspicions that quarreting policymakers can block each other. Trust would suffer if the public and investors presumed that internal rifts prevented the bank from doing the right thing, said Thomas Mayer, Frankfurt-based economist at Goldman Sachs.

The Bundesbank and U.S. Federal Reserve know that a single misplaced utterance can send markets into wild gyrations. Yet the risk of a "tribal-

under a "one size fits all" interest rate policy, economists said. With Ireland's economy expanding at nearly 8.5 percent last year compared to 1.5 perceot in Italy, the room for differences of opinion is "wide open." Mr. Schmieding said.

Skeptics note that tolerance of central bank autonomy irself is a new phenomenon in Europe. In December 1991, when European leaders signed the Maastricht treaty that founded the European Union, central banks in most of the signatory countries were more or less dependent on their governments.

"It is clear that the culture of stability is not as deeply ingrained in places like Italy and Spain and even France as it is in Germany, said Riccardo Barbieri Hermine, an Italianborn economist at Morgan Stanley.

PTIMISTS believe the European Central Bank can inherit the collective credibility of its member national banks. Not all agree. For a central bank, "reputation has its roots in decisive and goal-oriented action. It is bound to an institution and cannot simply be bequeathed," according to the view last year of Germany's Council of Economic Advisers.

Traders, who long used the rule of thumb "never bet against the Bundesbank." will be ready to put its rcplacement to the test.

Officials at the Bundesbank admit they owe their long track record as Europe's premier inflation-fighting insultution to Germany's "stability culture" or social consensus. That has allowed the Bundesbank to fight the government, when necessary, and win. When Binn last year wanted to revalue the Bundesbank's gold reserves as a quick revenue windfall to plug deficits, the Bundesbank rallied the public and parliamentarians to its side. The government backed down.

Until the first half of this decade, the marriage of public support and central bankers was a phenomenon considered unique to Germany. Germans tolerated a jolting shock treatment of postunification interest rate increases. driving the cost of credit to the highest levels in postwar history, even as the conomy sputtered into recession.

With their currencies pegged to the Deutsche mark, other nations complained binerly of the price they paid to ight the inflation threat emanating from the load of newly printed Deutsche mark bank notes for East Germany. Tellingly, German inflation throughout the nrdeal peaked at 4.8 percent, a level that was commonplace at the time in Italy, Spain and Portugal.

The Bundesbank is really an example that formal independence does not matter that much. What matters more is the public trust." Mr. Schmieding said. "The Bundesbank has lots of popular trust and can get difficult to explain to the public, but the public trusts the Bundesbank to do the right thing." The European Cen-tral Bank "faces an uphill struggle for quite some time." he predicted.

JOHN SCHMID is the International Herald Tribune's Germany corre-



In 1996, the French village of Mortague-au-Pewe began a campaign to acquaint its vesidents with the euro.

Media Blitz to Woo a Skeptical Public

By Barry James

RUSSELS — And now, get ready for the bard sell. Once Europe's monetary union bas been formally announced, governments will begin cranking up a publicity campaign aimed at promoting the single currency to a predominantly skeptical public.

The latest cross-Europe poll showed that only 47 percent of Europeans on average are in favor of the euro. But the degree of acceptance varies widely from country to country.

Germans, above all, will regret the passing of their powerful Deutsche mark. Italians will have less difficulty in saying farewell to the lira, after dozens of government changes and devaluations since World War II, Italians have never suffered German-style doubts about the euro. Of 1.5 million people who phoned into a recent television program, most were in favor of the single currency. Newspaper polls suggest that more than 70 percent of Italians support the euro.

Acceptance for the euro is creeping up in France. A recent Sofres poll sug-gested that 57 percent of the French are in favor of the euro.

For Spaniards, entry into the single currency zone will put their final seal on their passage from dictatorship to de-mocracy. Monetary union will put the

Finns, long the frozen boundary of their best interests, All the governments Europe, into the heart of the Continent's in the currency zone have prepared a decisinn-making, Still, a powerful rural constituency opposes it.

The British are deeply reluctant to relinquish their pounds and pence and are remaining out of the euro zone, along with the Danes and the Swedes. Polls in Sweden suggest that the main preoccupation there is that monetary union will lead to federalism.

The Greeks cannot meet the single currency criteria, but they are making huge efforts to catch up.

The passage in the single currency has been achieved with little public assent. Some talk of a "democratic deficit." although the issue has been discussed and approved by the European Parliament.

Money goes to the heart of people's lives. It is their retirement, their security, their children's education, their hopes and their fears. For all the talk of new economic opportunities and of broader horizons, many are afraid of letting go of the familiar, of adopting strange new bank notes and coins without character, without roots in history. Yet while there is no great show of enthusiasm, Europeans do not want to be left on the sidelines by what is in effect a revolution.

Monetary union will come into being eight months from now. Between now and then, governments will attempt to convince their citizens that the euro is in

television and newspaper blitz to prepare the way. The campaign will be carried into schools. The commission, the executive arm

of the European Union, has been a prime mover behind the single currency, but it has remained aloof from the debate. Legally, it cannot intervene. Under a principle known as subsidiarity, it is up to governments to spread the word. The commission takes the view that

the way to sell the euro varies from country to country, and even between regions in the same country. The issue has to be addressed in domestic political and economic terms.

Most governments have held back from promoting the euro until the members of the single currency bave been announced.

The situation was different in Italy, which imposed a special lax to meet the euro criteria and needed all the public support it could get.

Public and political opposition to the single currency has been most powerful in Germany, where the stability of the Deutsche mark has become almost a fetisb in light of memories of the wild inflation of the pre-war period. Paradoxically, it is in Germany that companies have been among the most enthusiastic in jumping on the euro bandwagon. Many have said they will promptly adopt the new currency.

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Next Step: Locking the Euro in Place

By Carl Gewirtz

ARIS - Western Europe's collective dream of currency independence takes a historic step closer to reality this weekend when governments of the 11 countries who plan to form a monetary union next year declare the exchange rates they intend to fix against one another.

The irrevocable fixing of rates will only take place Dec. 31, and the actual coins and notes of the new euro currency will only replace existing national currencies in 2002. But by declaring their conversion rates against one another now - rates that are widely expected to reflect current levels the 11 begin the final stage of facing the world as monetary monolith.

By moving so early, officials hope to reduce uncertainties, eliminate opportunities for potentially disruptive speculation and, in particular, give business ample time to prepare for the numeric changeover that will occur on Jan. 4, the first day of business next year when prices throughout the region will be quoted in both euros and existing national currencies.

Exchange rates will become less important for each country," said Pro-fessor Charles Wyplosz of the Gradnate Institute of International Studies in Geneva. The external value of the euro will still be a maner of concern, but much less of a preoccupation."

The reason: Trade outside the euro area of the 11 will shrink to a level about as important as foreign trade is to the United States. In other words, not very. That's because a huge portion of Europe's trade is with itself.

To take the most extreme example, Belgium will see exports drop from 67 percent of total national production to an effective 24 percent when measured only as trade outside the euro area. Even for the largest members of the currency union — Germany, France and Italy - trade exposure to the outside world will be almost halved. For all 11, exports outside the euro area will amount to 13.7 percent of production and imports to about 13 percent. The comparable U.S. figures are 11.3 percent and 12.4 percent, respectively.

The numbers mean that the dollar can soar in value, or fall, without having an impact on the main business of Europe,

which is trading with other Europeans. Most experts expect the dollar to be more volatile versus the euro than it was against the Deutsche mark.

During the past 28 years, the dollar has swung violently, losing more than balf its value versus the mark in the 10 years to 1980, then doubling over the next five years, then skidding 60 percent over the following 10 years to a low of 1.3455 DM.

During this period. Europe experienced a great number of curreocv crises as dollar weakness versus the mark invariably meant weakness of the other European monies versus the mark. It is this kind of intra-European disturbance that will cease.

The decision to face the rest of the world as one currency, armed only with a common monetary policy set by the European Central Bank, remains a daunting challenge. No one imagines that one policy on interest rates will always suit all 11 countries, since so many other aspects of economic life. from corporate accounting standards to fiscal policy, are not coordinated and remain under national control.

But the political commitment to make monetary upion work has clearly impressed bood bolders, the class of investors most at risk. The message from the performance of bond markets has been most impressive." declared Graham Bishop, London-based analyst at Salomon Smith Barney.

Looking at the movement in market prices of 10-year bonds, Mr. Bishop noted that long-term German interest rates have declined from 5.25 percent late last year to a near record low 4.87 perceot currently. At the same time, the premiums at which Italian and Spanish government bonds trade over German levels have nearly halved.

This is an impressive message, saying that investors have confidence in monetary union, that they are not worried about the euro," he said.

The big question is whether policymakers, in particular the ceotral bankers, who have spent their professional lives with one eye always fixed on the external value of their currencies, will feel free to exploit the room for fluctuation that the common

currency affords.

expense of some economic underperformance," said Professor John Makin at the American Enterprise Instirute in Washington.

But with unemployment in the European Union averaging a crushing Il percent and forecast, based on current policies, to remain at just over 9 percent in 2003, Mr. Makin warned that "the EU can't afford the kind of indifference to growth typically displayed by the Bundesbank

Even Mr. Bishop estimated that "it could take a generation for EU policymakers to lose their sensitivity to the external value of their currencies."

The danger, said Jonethan Wilmot at Credit Suisse First Boston in London, is that the short-term interest rates controlled by the European Central Bank will be tightened too soon to fully exploit the economic recovery now under way in a misguided effort to prevent a weakening of the euro and to accom-modate the need for higher interest rates in countries like Ireland and Italy as well as the Netherlands and Spain.

Mr. Wilmot concurred that lower interest rates risk fueling a bubble in asset prices in these countries, but he asserted that those problems could be averted with an aggressive reform of spending and taxation policies that need to be taken in any event.

As for the capacity of a strong euro dethrone the pre-eminence of the dollar as a reserve currency, analysts take sharply different views.

Avinash Persaud at J. P. Morgan in London believes the euro could begin challenging the dollar "lighteningly quickly" as more world trade will emanate from the euro area than the dollar area, and as transaction and dealing costs for the euro fall to levels competitive with those for the doller.

But taking the view that trade follows the flag and Euroland still has no flag. Norbert Walter at Deutsche Bank in Frankfurt expects that "the euro will be to the dollar what Airbus is to Boeing: a junior partner, a competitor, but not an equal. There is one political hegemony. and that's the United States for the foreseeable future and that will reflect itself in such areas as the currency."

The record clearly shows the CARL GEWIRTZ is an associate ed-Bundesbank's legendary indifference itor of the International Herald to employment and growth, a policy Tribune.

By Any Measure, Europe's New Monetary Union Is a Historic Exploit

By Reginald Dale

ASHINGTON -- Starting from the Declaration of Independence, it took the United States nearly 90 years to establish a fully fledged common currency, and a further 50 years to set up the Federal Reserve system in

When the European Union intro-duces the euro, backed by a European Central Bank, at the beginning of next year, it will have traveled the same distance in just over 40 years.

Of course, it is not an exact parallel. But the comparison is worth making if only because so many people forget how far, and bow relatively fast, the Europeans have come since they began their postwar drive for closer unity in the 1950s.

As the debate over the single currency has intensified during the past two years, the focus has been much more on the economic and financial technicalities than on the momentous historical dimensions of the endeavor.

Yet, by any historical yardstick, the decision by 11 West European countries to fink their destinies in an economic and monetary union is an epoch-making achievement. And, in many ways, the Europeans face a harder task than the Americans did before them.

It will not be Europe's first try. European monetary unions have come and gone, in different shapes and sizes, and with greater and lesser degrees of per-manence, for the past 2.000 years. The single currency zone will be smaller than the Roman empire, in which for centuries the silver denarius circulated freely from the Middle East 10 the Atlantic and from North Africa to the Rhine.

UT it will be larger than Charlemagne's empire, which covered roughly the same territory as the six founder members of the European Union, and which also boasted a common silver coinage in the early 9th century, Both those unions, however, were largely the fruit of con-

What is unprecedented about the euro is that so many independent states are voluntarily pooling their sovereignty for the first time — not just in order to improve the mechanics of trade and currency flows, but to prontote much deeper economic and political unity.

In the United States, the National Currency Act of 1863 helped unify America, then in the throes of civil war, by providing for the replacement of state bank notes of varying values by the greenback - in much the same way that national currencies in Europe will be replaced by the euro.



Chancellor Konrad Adenance and President Charles de Gaulle, the architects of the Franço-German Treaty of Cooperation, meeting in Paris in 1967.

Some 19th-century Americans even thought that the Civil War might not have occurred if the currency had been unified sooner, just as many 20th-century Europeans have seen economic inlegration as the best way to prevent further fratricidal wars in Europe.

In 19th-century America, the greenback quickly became not only a major spur to trade but an important symbol of national unity. Many Americans at the time seem to have believed that the new dollar "had an intportant impact in helping create a common national identity." according to Jerome Sheridan of American University in Brussels.

Much the same role is now sought for the euro by its supporters in Europe. Of course, few Europeans believe that the euro will usher in a United States of Europe, at least in the near future. Europe's historical, linguistic and cultural divisions are still too deep, its national instincts too strong, and public support for bold new steps to political unity too shallow. The Continent's past is still ever-present. Charlemagne's single currency was resisted most strongly by the very same two peoples the English and the Danes - that insisted on official opt-outs from today's single currency nearly 1,200

OR much of the past two centuries. French thinkers and economists have consistently been among the most active proponents of European monetary integration. In the mid-19th century, Michel Chevalier, an economic adviser to Napoleon III, foreshadowed the creation of today's planned European Central Bank with uncanny precision.

One does not see why the progress of commercial and political relations among the peoples of Europe should not lead to the creation of an international bank, which would have at least one seat

in each of the great states," he wrote. Britain has always been aloof. In the 16th and 17th centuries, England was notorious for its distrust of Continental mooetary conspiracies against the City of London, and in the 19th century the English poured cold water on Frenchbacked proposals for a "universal ntoney linking Contineotal European

currencies to the pound and the dollar. To some, such signs of enduring national characteristics are reassuring. They suggest that Europeans will not quickly or easily lose their national identities in some kind of a faceless superstate. But they also inevitably raise the question of why the euro should

work when so many previous attempts have failed.

In the late 19th century, three European currency unions existed alongside each other - the Latin, the Scandinavian and the German - all of which eventually came to grief. In recent decades, the EU itself has demonstrated the difficulty of the task by adopting and then postpooing earlier plans for mon-

So what makes the 11 countries think they can succeed now? In the first place, previous monetary unions had much less solid foundations. The Latin and Scandinavian unions of the late 19th ceotury were established for reasons of currency and trading convenience, not as part of a broader process of ecocomic and political unification.

The original German union was destroyed by World War I, but Italy's has Herald Tribunc.

lasted since 1861 and Britain's since 1707, when Scotland joined England in the Act of Union. The Belgo-Luxembourg monetary union has lasted since 1923, and the currencies of the former East and West Germany were merged in

The 11-nation union now planned is. of course, far more ambitious than any of its recent predecessors, and its membership will be much less homogenous. It would probably not be possible at all without the cataclysmic experience of World War II. in which all the European. combatants except Britain suffered either occupation or defeat, or both

Today's circumstances are much more auspicious than when the then European Community concocted its initial plan for monetary union in the late 1960s and early 1970s, with a target date of 1980. That effort was blown apart by the first international oil shock and the Europeans' ragged response to it.

N those days, too, as Peter Kenen, an economist at Princeton University, has pointed out, fixed exchange rates were no longer fashionable and most European governments were still using capital controls. France and Germany for years engaged in a bitter doctrinal argument over whether economic union should precede monetary union, as Germany insisted, or vice versa, as France pro-

Now, that argument has been settled. broadly in Germany's favor. Over the past 15 years or so, Europe bas achieved an unprecedented degree of economic convergence.

It has also, since the European Monetary System was established in 1979. gained much more experience of relatively fixed exchange rates.
In contrast to the 1970s, there is now

wide agreement on the importance of price stability and central bank inde- pendence. And in a more competitive. plobalizing world economy, the advantages of forming a larger and stronger monetary bloc have become more ob-

History, it has been widely noted, is moving faster. After the United States adopted its single currency, it took more than half a century for the dollar to oust the pound as the world's leading cur-

No one is expecting the euro to mete out a similar fate to the dollar in the foreseeable future. But in the quickmoving world of the early 21st century, it is unlikely to take the euro nearly as long as the dollar to establish itself as a major world currency.

REGINALD DALE is a columnist based in Washington for the International

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MINISTERF DE LEMBUMIE

Corporate Europe Is Running Behind

In Preparing for Euro, the Laggards Are Likely to Lose Market Share

By John Schmid

RANKFURT - Corporate Europe should be the first sector of society to learn what it means to have a shiny Trojan currency a hopeful symbol of pan-European unity that many expect will sneak in with it a raft of painful economic and

social changes. Between a third to a half of Europe's companies have failed to prepare for the radically changed competitive landscape that the euro will bring. The figures, supported by several recent surveys from industry trade groups and management consulting tirms, astonish anyone who thought Europe had plenty of time to get their systems up and running in curos.

Laggard companies, mostly small medium-sized businesses throughout the European Union, are expected to rank among the first losers in the more competitive environment that the euro is expected to usher in after Jan. Those that are not ready may experience very real trouble and lose market share," said Francois Bordonado, who heads the euro conversion team at Pechiney SA, a large French aluminium

Steep costs to prepare for the euro and the unwillingness of Europe's pro-euro politicians to debate the euro's unwetcome side-effects rank among the main reasons many European managers are expected to be caught off guard, according to trade groups and execu-

and bottling company.

Even some larger operations are running behind, industry sources say. "I still know of a lot of other big and important companies that are just get-ling started," said Andreas Erdminn. who heads euro conversion services for International Business Machines Corp.

It is going to hit hard. said Stephen Dexter, head of research on the euro at Grant Thornton International, a London-based accounting firm. In its most recent poll of Europe's small and medium-sized firms, Grant Thornton found 37 percent had not yet begun to prepare for the curo.

While the curo will be a boon to consumers who will see big price differences for goods like shoes and cars in neighboring markets, the ensuring conipetition immediately will feed into a supply chain of price pressure at the company level.

Companies who have not yet started the changeover are seriously disadvantaged," said Leo Martin, senior manager at the KPMG management consulting group in London. In its survey, KPMG found only about half of Europe's companies - 53 percent - will be ready to prepare their accounts in the euro in 1999.

The winners are expected to be the

which have been quick to adopt the euro as their inhouse currency. Siemens and Daimler began preparations as early as

At Daimler, the euro will become the 'corporate currency' on Jan. 1, replacing the Deutsche mark in every sector of the company

The mark, which helped make the auto and aerospace giant a world export champion, overnight will become "foreign currency," said Wolfgang Har-tung, who has headed Daimler's euro project team since early 1996. Much like globalization, the euro will be a "catalytic factor" for change for companies and economies, he predicted.

Next year, Daimler will use euros when it publishes interim results for the tirst half of 1999

Going further, Siemens will even use euros to pay employees in Britain, which is not among the 11 nations launching the curo,

The architects of European currency union deliberately created a three-year buffer period for companies to prepare. Starting in 1999, the curo will be introduced as a non-cash currency mainly a unit that exists only on balance slicets. In 2002, the actual new notes and coins will be introduced.

Early-hird companies and banks reckon they can win market share and storm across national borders if they are in the first wave of huaf conversion.

Big players that started early did more than upgrade their software. They conducted top-to-bottom reviews of their hierarchies to find ways to wring the greatest efficiencies out of the euro. Many restructured.

N Germany, Europe's biggest economy, the top 50 or so companies that invested heavily on an Learly switchuver sent out letters to their main suppliers to warn them that all billing and bids must be in curos next year, according to the Bonn-based DI-HT, Germany's Chamber of Industry

Darmler alone sent our 40,000 letters of advance warning. But because what Damiler did is costly and complicated, only 30 percent of Europe's companies have undertaken internal restructurings to make the euro their inhouse montey at the earliest changeover date, according to KGPM's findings.

In Germany, only an average of 43 percent of indigenous firms have beginn preparations, according to a survey released last month by the DIHT. Grant Thornton ranks Germany along with Britain and Spain as one of the nations with a large share of latecomers

"Those that do not fulfill the ettro changes will face difficulties," said Guenter Albrecht, chief economist at the DIHT. "They can be boxed out of big blue-chip businesses like Siemens contrasts by rivals," who can quote

AG. Daimler-Benz AG and Philips NA lower prices on supplier contracts in euros. The DIHT has begun an effort to goad its member companies to move faster.

> In its sampling of the nation's biggest 25.000 companies, the DIHT results surprised those who expected Germany to be on the front lines of competition. The German sectors quickest to adapt have been industry, leading retailers and service providers. But even within industry, little more than half have begun ? to adapt. On the opposite end lies construction, where only one in five companies has begun the switchover, the DI-

> N too many cases, experts say, companies view the curo merely as a software changeover, studio to he glitch related to the year 2000 conversion. Those companies might be able to send out bills, but will suffer from inhouse confusion.

"It is not only a software problem, it is a complete corporate problem. It is a legal problem. We have to train 940 people this year." said Jean-Doininique Senard, chief financial officer at Pech-

On the software level alone, the task is far more bewildering than locating an "e" for euros on keyboards. Under EU regulations, a company that wants to repairiate revenue from lire to gulden | 10 during the transition period must first convert to euro from lire and then from euro into gulden. To ensure uniformity of exchange rates, the EU stipulates accuracy to six digits after the decimal. Programmers dub it "triangulation" and call it the most compelling reason to switch early.

For those unable to adapt on time. they have to deal with almost all segments of an organization with two currencies and that is not healthy. It is a disadvantage, said Mr. Hartung, Those who come late will deal with the euro as a foreign currency.

Another problem for latecomers is Europe's shortage of contourer programmers Hermann-Josef Lamberti, a top earn executive at IBM, estimates that Germany this year needs 20,000 more programmers.

Costs for the changeover pose the biggest disadvantage to small companies. Daimler estimates the total bill for its transition at 200 million DM (\$111 ntillion), with more than half of the sum for computer changes. However, these costs will be offset by annual savings of up to 100 million DM in transection costs, it reckons

In what Mr. Marnin called a "shock mely high sum." KPMG found on a erage that larger companies are faced with \$30 million in changenver cost-That figure excludes the excested plunge in sales that many companies are likely to suffer when the euro exposes big pricing differentials and forces price

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EUROPE AND THE EURO / A SPECIAL REPORT

Tricky Equation Ahead: 11 Nations, 11 Tax Systems and One Currency

By Barry James

RUSSELS - European monetary union raises the specter of 11 countries bound together by a single currency and divided by 11 diverse tax systems

agree to align, or barmonize, their taxes.
Unless they do, investors and talented

individuals in a market without economic borders will gravitate to where they are taxed the least.

are reduced following the introduction of the single currency, the differences between national tax systems will become more visible and will have an even greater influence on allocation decisions."

In placing monetary policy in the hands of the European Central Bank, governments leave themselves with a restricted range of fiscal measures to tackle problems such as unemployment and national

lebt. Taxation is one of those measures. In short, countries will either have to cut costs, or maintain the present high level of taxes to stay within the criteria of the currency zone, and to maintain public services, pay pensions and preserve social welfare systems. The European

spending is checked the burden will shift increasingly to the least skilled or less mobile workers.

Similarly, it said, small companies and craft industries that are important for job creation will be penalized more than An important question for the success mobile multinational companies. Taxes of the common currency, experts say, is and social charges on labor have inthe extent to which member nations can creased over the past 15 years while other costs, such as capital, energy and natural resources, have decreased.

The European Commission says that taxes, as a percentage of GDP, in the EU they are taxed the least.

The European Commission puts this in more technical terms: "As exchange rate risks are eliminated and transaction costs are reduced following the introductions."

Set a record in 1996. Governments siphoned off 42.4 percent of economic output, compared with 41.7 percent in 1995 and 38.7 percent in 1990.

> commission said, "employment will be further discouraged because the result is that labor becomes more costly for emproducers.

and labor skills, the one offering the best tax breaks usually wins the deal.

 In a first move to iron out inequalities. EU members have agreed on a nonbinding code of conduct on business

Commission, the executive arm of the European Union, warned that unless tax tain regions, enterprises or economic sectain regions, enterprises or economic sec-tors. They also agreed to phase out such

inducements where they already exist. Exactly what constitutes "harmful" was not explicitly defined, leaving the way open for future disputes. Ireland, for example, would be re-

luctant to abandon its low rate of corporation tax, which has been an importani contribution to its industrial boom. Italy cannot overnight stop transferring resources from the rich North to the poor South, even if this causes tax evasion. Problems could also occur if countries

use taxes to pursue conflicting political ends. Imagine, say, that one country used tax incentives to protect the environment while another used taxes 10 "Unless the trend is reversed," the subsidize road-building. The commission is pressing governments to adopt a joint position on so-called green taxes.

Mario Monti, the commissioner with ployers, less rewarding for workers and responsibility for taxadon, said the code less advantageous relative to capital for of conduct "will make it possible to reduce the distortions in the operation of Tax competition is rife among Euro- the single market, to prevent the growing ean countries seeking to lure investors. erosion of tax revenue and to pursue tax When two regions offer similar facilities policies which are conducive to employment." Tax inequalities mean the single market is "significantly underperforming," according to Mr. Monti. Companies still face a taxation minefield when they do business across na- same prices before tax and the customer taxation. They said they would avoid tional frontiers. For example, they have pays different prices, or you have the German tax police say they have re-havens like "harmful compention" in taxation, to deal with more than 200 different same price after tax and the dealer pays covered a list of clients at Commerzbank to flourish.



special arrangements and options con-

cerning value-added tax alone. Louis Schweitzer, chairman and chief executive of Renault SA, said tax dif-ferences will make it impossible to have uniform prices in the currency zone. The prices are tax inclusive which

different prices; both are unaccept-

In the face of strong opposition, the European Commission is standing firm on Luxembourg, its partner in the longon a decision to abolish duty-free purchases in the EU from next year, saying that they create important distortions in

The commission recently advised governments to abolish cross-border taxes on interest and royaldes for companies within the same group. At present, these companies often bave to ployees has described the Belgian pay taxes both in the countries from which such payments are sent and in those where they are received. The commission said that only payments in the receiving country should be taxed.

sion, pure and simple.'

Luxembourg officials, stung by accusacions of money-laundering, reportedly are considering a modest tax on

The commission also called for a cross-Europe system for taxing interest on accounts held by nonresidents. It proposed that either interest be taxed at source at the same rate in all countries or financial companies send details of interest paid to the tax authorities in de-

positors' bome countries. Either way, the proposals would end an advantage of the EU's leading tax haven, Luxembourg, which has waxed is believed to have become a torrent.

who have deposited funds in the Grand

Belgium also bas stepped up the beat standing Benelux money union.

The police recently jailed the head of the Belgian Kredietbank's Luxembourg subsidiary before releasing him without charges. Belgian prosecutors accuse the bank of helping wealthy clients evade

The union of Luxembourg bank emstrong-arm tactics as "military aggres-

investment income. They are resisting pressure to end banking secrecy, which could drive deposits to less regulated environments, such as the Cayman Islands.

European Commission officials suggest that economic growth and the galvanizing effect of the single currency will combine to get the euro off to a good

But the problems with Luxembourg, many experts suggest, are but a foretaste of the difficulties that may arise unless Europe brings its taxes more closely into line. And unless there is a serious attempt to reduce punishing tax rates, parocularly on labor, the experts say, havens like Luxembourg will continue

Countdown Begins To the First Phase

Continued from Page 18

coins. As existing notes and coins are taken out of circu- of educating the retail sector ladon, they will be burned or and the public. The French

introduced, the need for it may about 20 billion francs. already have been reduced because of a more widespread acceptance of credit, debit and stored-value cards. Expens tails in an electronic chip. Germans prefer to pay in casb.

A stored-value card, which can be topped up at banks, "sizable but not unmanage-contains a set amount of ready able," according to Ewoud cash. Imagine, say, that you Schuitemaker, vice president are in transit at Frankfurt air- for economics at the ABNnort and you want 10 buy a AMRO bank. The bank pre-inagazine. Rather than con-dicts that short-term pain will verting your currency at a loss- soon be replaced by long-term into Deutsche marks, you will gain. "If the banking sector be able to make the payment can demonstrate that there is in euros on a casb card.

Transfer from

already are in circulation in porate sector will be able to Europe, but they only work in follow in our industry's footthe country of issue. Once steps with confidence. countries are sharing a single currency, these cards should nies, including some outside be able to work anywhere.

People going on vacation in the euro zone should start ing at the earliest opportunity. reaping the benefits of the new currency as from this summer. in favor of and prepared for an Finance ministers this week-early switchover," said the end are scheduled to fix the Association for the Monetary rate at which national curren- Union of Europe in Paris, after cies will convert with each polling scores of firms. "The other on Jan. 1. This will elimrisk between, for example, changeover strategy. Deutsche marks and Spanish look for another bank.

With the introduction of the euro in January, financial concerned about the cost and markets will instantly become complexity of adapting informore integrated. National mation systems in the new long-term debts will be de- currency; in fact, software nominated in euros, creating a providers and information bond market to rival that of the technology experts could be United States. Contracts will among the big winners in the conversion process. ance policies, mutual funds and most other financial in- main factor holding compa-

will be converted to euros. industries will be affected some social security systems more by the introduction of the to accept payment in euros new currency than the banking during the transition period tion, restructuring and consolidation with the switch to a Continental-scale economy. It sector, which faces competienue stream from foreign curstands to lose a substantial revrency transactions, and some staff of the International Herestimates suggest that this ald Tribune.

could reduce bank earnings by up to 10 percent, Banks also will be responsible for many of the costs of conversion and pcycled for their metal value. banks alone estimate that the By the time the currency is changeover will cost them

The European Commission insists that banks must not pass on to consumers any of the obligatory costs involved say that plastic money could in the conversion. In other be one of the big beneficiaries words, they must not charge of the changeover, but to what more for a euro transaction extent is difficult to predict. It than one involving a national depends on the culture of each currency. The commission country. French consumers said it expects the banks to have widely adopted debit adhere to a code of good concards containing account de- duct warning that, if this does not suffice, it will legislate to protect consumers.

The loss of income will be life — and a prosperous and About 100 million cash stable life at that - beyond 1 cards or electronic billfolds January 1999, then the cor-

Many multinadonal compathe currency zone, are planning to switch to cure account-

'Companies are strongly great majority of respondents thate the foreign exchange bave already adopted a

The companies said inpesetas, allowing banks to creased price transparency charge only for administrative will be the major opportunity, costs and pass on savings to or threat, of a single currency. customers. If they don't, the This means that customers European Commission in will more easily be able to Brussels advises citizens to compare prices in one country against those in another.

Many companies also were

The association said the struments in the currency zone nies back was uncertainties about the legislative climate. In the short term, few single For example, the inability of will make it difficult for

It appears that the euro has united Europe after all.

Soon, we'll all be using the same currency. Right now though we're all just asking the same questions. Luckily, on IBM's euro website, the answers are at hand. Whether you need an introduction to EMU, an explanation of how it will affect you or examples of how IBM can help you prepare for the changeover, visit it today.

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The exact timing and manner in which the euro will be introduced varies from country to country. Information on the euro can be obtained at the following internet sites. Their addresses, preceded by

Austria: www.oenh.co.av Belgium: euro.fgov.he Finland: www.vn.fi/vm/suomi/emuproj France: www.finances.gouv.fr Germany: www.hundesregierung.de: www.bundesfinanzministerium.de ireland: www.irlgov.ie/finance: emuaware.forfas.ie: www.sevenue.ic Italy: www.iesoto.il

Luxembourg: www.ciai.lu/Fl/ Netherlands: www.curo.ml Portugal: www.dgcp.pt Spain: www.euro-mech.com

Two countries not in the single currency also have sites.

Sweden: www.regeringen.sc United Kingdom: www.hm.treasury.gov.uk

Reach Sailing

Herald Eribune SPORTS

Agassi Gains Semis

TENNIS Andre Agassi beat second-seeded Jonas Bjorkman, 6-2. 6-2, on Friday to reach the semifinals of the BMW Open in Munich.

Agassi, the No. 8 seed, broke Bjorkman's serve at the start of each set and never dropped bis service. His semifinal opponent will be Galo Blanco of Spain, who beat Tomas Nydahl of Sweden, 7-5, 5-7,

A former No. 1, Agassi fell as low as No. 141 last year. But after winning two tournaments this year, he now is ranked No. 20 in the

Bergkamp Wins MVP

SOCCER The Arsenal forward Dennis Bergkamp, who is from the Netherlands, was voted English soccer's Player of the Year on Friday. It was the fourth year in a row that the award was bestowed on a player who was not English.

The winners the last three years were Jurgen Klinsmann of Germany, Eric Cantona of France and Gianfranco Zola of Italy. The voting was carried out by British soc-

Espiritu Takes 14th Stage

CYCLING Victor Espiritu, captain of the Philippine cycling team. won the 14th stage of the Tour of the Philippines on Friday. Espiritu's teammate, Warren

Davadilla, who finished eighth in the 27-kilometer (17-mile) individual time trial, kept his overall lead with two stages left in the race.

Espiritu, the 1996 champion, was timed in 1 bour, 4 minutes and 4.76 seconds.

* Fabio Baldato of Italy edged Bo Larsen of Denmark to win the 37th annual Round the Henninger Tower cycling race on Friday in

Baldato covered the 192 kilometers (120 miles) in 5 hours and 14 seconds and won in a crowded sprint to the finish line. Jan Ullrich of Germany, the Tour

de France winner last year, finished 49th in a group seven seconds behind the winner.

Ullrich has been battling weight problems and has been criticized by French sports media because of his poor shape two months before the 1988 Tour de France. (AP)

A Title for Sparta Prague

SOCCER Sparta Prague clinched its second consecutive Czech firstdivision title with a 2-0 victory over Hradec Kralove on Friday. The triumph gave the Prague team, which has led the league from the start of the season, an insurmountable 64 points. Its crosstown rival, Slavia Prague, is second with 48 points. Five games are left. (Reuters)

They had the three best re-

teams with more than 100 San Jose Sharks, 3-2.

cords in the National Hockey

League this season, the only

points. In pivotal playoff games, the Dallas Stars, De-

troit Red Wings and New Jer-

sey Devils looked as if they

Devils stayed alive against

deserved to be there.

WORLD ROUNDUP Fistfight Alters Shape Of Heat-Knicks Series

Mourning and Johnson Suspended for Game 5

The Associated Press

NEW YORK - There will be a Game 5 in Miami without Alonzo Mourning, Larry Johnson and Chris Mills, and another Game 5 in Seattle. with George Karl.

There will not be a Game 5 in Indiana or Inglewood.

The New York Knicks and Seattle SuperSonics staved off elimination and

NBA PLAYOFFS

extended their first-round series to deciding fifth games by beating Miami

and Minnesota on Thursday.
The Knicks beat the Heat, 90-85, after a fistfight between Mourning and Johnson with 1.4 seconds left. Mourning and Johnson were suspended for two games by the NBA on Friday, and Chris Mills of the Knicks drew a one-game suspension for leaving the bench area during the fracas.

The Sonics beat the Timberwolves, 92-88, saving Karl's joh for at least one more weekend.

"I think our team has finally gotten into the playoff seriousness that we needed to be in from the beginning," said Karl, who is in the final year of his coaching contract.

The Pacers, meanwhile, moved on to the second round with an 80-74 victory at Cleveland. And the Lakers also made it out of the first round by finishing off Portland 110-99.

As far as hizarre endings go, nothing could beat the final 1.4 seconds of the Knicks-Heat game as Mourning and

Johnson exchanged swings.

After the two battled for a rebound, Mourning threw the first punch and Johnson threw several in return. The Knicks' coach, Jeff Van Gundy, bolted onto the court and grabbed Mourning's leg, bolding on even as he was being

dragged along the floor.

NBA rules call for an automatic onegame suspension for throwing a punch.

"One-point-four seconds to go. I can't believe both guys would do that," said the Mlami coach, Pat Riley, whose team bad no chance of winning the game when the fight broke out. "I mean, we did what we had to do, came up, got a split, got back into the series after losing in Miami."

It was an incredible ending to another hard-fought, physical game between the bitter rivals, whose second-round series last year included a brawl at the end of Game 5 that led to five Knicks being suspended for one game each.

That incident ultimately ended up costing the Knicks their season, but now they have a chance to turn the tables in the very same building where it

happened.
"I made a hig mistake. I let my teammates down," said Mourning, who claimed that Johnson had been hitting him all night.

Johnson said: "It's a hig game Sunday. I should bave grabbed my composure, I should have known better. It was spontaneous, but I bad time to do

Mourning also was fined \$20,000. Johnson was fined \$10,000 and Mills \$2,500.

The altercation was broken up after about 30 seconds, and suddenly the whole tenor of the series was changed. Instead of having a Game 5 with both teams at even strength, Miami will be

without its franchise center and New York will be without its only low-post scoring threat — unless Patrick Ewing returns. "When Patrick is ready; he'll get out there and play," said Emie Grunfeld, the Nicks' general manager. Johnson and Allan Houston led New York with 18 points apiece, John Starks had 17 and Charles Oakley and Chris

Tim Hardaway scored 33 for Miami, shooting 12-for-21, and Mourning — playing without the face mask he had been wearing since bis cheekbone was fractured late in the season - bad 29 on It-for-14 shooting.

Childs had 10 each.

SuperSonics 92, Timberwolves 88 At Minneapolis, Gary Payton had 24 points and 8 assists, and the Sonics used a late 19-6 run to take control. The Wolves pulled to 91-88 when

Kevin Garnett scored with seven seconds left, but Greg Anthony hit the second of two free throws to clinch it.



Alonzo Mourning of the Heat defending against the Knicks' Larry Johnson in the 2d quarter, before fists flew in Madison Square Garden.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seanle losses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle, Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the In-diana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game, Despite having three rookies in the starting lineup, the Cavs cut a 13-point, first-half deficit to 75-73 with 2:15 left. But Reggie Miller grabbed two crucial rebounds in the final half-minute to send the Pacers into the second round against either New York or Miami

Miller led the Pacers with 19 points and Rik Smits had 17.

Lakers 110, Traff Blac land, the series ended exactly as it did last year, with the Lakers ousting the Blazers in four games. Los Angeles advances to the conference semifinals against the winner of the Sexule-Minnesota series.

Sbaquille O'Neal had 31 points and 15 rebounds, but it was his supporting

cast that made the difference.

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

Easley's Bat Lifts Tigers **Over Texas**

Devil Rays' Loss Streak Snapped at 6 as Arrojo Allows Twins Just 3 Hits

The Associated Press Brian Moehler pitched a six-hitter and Damion Easley drove in four runs as the Detroit Tigers beat Texas, 7-2, stopping the Rangers' five-game winning

Moehler (2-2) struck out six and walked two in his third career complete game in 39 starts. It was Detroit's first complete game since Scott Sanders

BASESALL ROUNDUP

pitched a one-hitter against Texas last.

Bobby Witt (3-1) failed to-last five innings for the first time this season, allowing seven runs and I hits in four-plus innings. Will Clark bomered for visiting Texas in the game Thursday night.

Devil Rays 2, Twins 0 In Minneapolis, Rolando Arrojo pitched a three-hitter for his first complete game, and the Devil Rays stopped a six-game losing

Arrojo (3-2) struck out five and walked two in his sixth career start. Todd Walker got all three hits - singles in the fourth and ninth innings and a double off the left-field wall in the sixth.

Orioles 4, White Sox 1 In Chicago, Joe Carter and Jeffrey Hammonds homered to support Jimmy Key (4-1), who allowed one run and four hits in seven innings to improve to 21-7 against Chicago. Baltimore stopped a four game losing streak and won for just the

fourth time in 15 games.

Hoyels 7, Blue Jays 4 Hal Morris had two bits and drove in the runs as visiting Kansas City took a 6-0 lead and hung on for a two-game sweep.

Morris went 2-for-5 with a double

and single to improve to 14-for-22 (.636) against Toronto this season. Angels 7, Red Sox 2 In Boston, Ken Hill won his third straight start and Cecil

Fielder, Darin Erstad and Dave Hollins homered as Anaheim ended its road trip with a 6-1 record. The Red Sox, who won 10 of their

first 11 home games, have lost two of their last three at Fenway Park.

Athletics 5, indians 2 Ben Grieve, coming off the first five-hit game of his career, hit a tiebreaking, two-run homer in the eighth inning to lift Oakland over

the host Indians. The A's swept the two-game series and extended their winning streak to five. Cleveland lost for the 10th time in 14 games.

Yankees 9, Mariners 8 In New York. Tino Martinez singled bome the winning run in the 10th to give the Yankees a victory. Ken Griffey Ir. homered twice and Alex Rodriguez connected for the Mariners, who have lost four of five. Griffey has 11 homers, tying him with the Cardinals' Mark McGwire and Colorado's Vinny Castilla for the majorleague lead.

In the National League:

Braves 6, Giants 0 Denny Neagle pitched a five-hitter and Andres Galarraga tied a Braves franchise record with his 10th borner in April, leading Atlanta to a rout of the visiting Giants. Javy Lopez added a three-run homer

PLANLIS:

for the Braves, who finished with victories in the month — two short of tbeir major-league record set last year and the second-most in team history.

Rockies 4, Mets 0 Darryl Kile pitched a four-hitter and Colorado handed the host Mets their fifth straight loss. Kile (3-3) held New York hitless until Luis Lopez singled with one out in the sixth inning. Dodgers 14. Pirates 6 In Pittsburgh,

Raul Mondesi's two-run, two-out bloop single keyed Los Angeles's four-run eighth, and the Dodgers scored nine times in the final two innings to beat the Pirates. It was their fifth victory in six games. Eric Karros went 4-for-5 with four

RBIs, including a two-run single in the Dodgers' five-run ninth against Javier Martinez.

Padres 4, Marline 1 In Miami, Peter Smith drove in a run and combined with three relievers on a four-hiner to help San Diego beat Florida, Chris Gomez contributed a two-run single for the Padres, who have the best record in the National League and are 10-4 on the road.

Cubs 8, Cardinals 3 The host Cubs beat the Cardinals in fog-shrouded game that started 2 hours and 12 minutes late because of a rain delay. Kerry Wood struck out Mark McGwire twice and retired birn on a fly ball.

But McGwire hit a two-run homer in the eighth, tying him for the major league lead with 11. The sbot came off a reliever, Marc Pisciotta.

are being bandied about and there clusion of foreigners. The premise is is some truth to them. The larger Chinese Taipei. In 1975, the organizers that Americans won't pay attention to races dominated by teams of African truth — there's no sense trying to hide it

International Herold Tribune

any longer — is that American distance running is suffering from impotence.

American men and women runners simply cannot keep up with the Af-

3 Best in Standings Show Their Class

A similar thing happened years ago to the Linde League World Series, the inricans, the Kenyan men especially. This ternational children's baseball tournais why many American race directors ment that was being dominated by

are now controversially offering prize OSTON — Charges of racism money to American runners to the exrunners. We want to cheer for

U.S. Runners Simply Too Bad to Go the Distance

ganizers rescinded their order.

Instead of wishing that we were better at our own game, the organizers discovered ways of making the competition more appealing to fans. So strong is the event today that it almost doesn't matter that American teams have won

Then there is the example of the National Basketball Association, mired a couple of decades ago because — according to the logic of the time — mainstream America would never accept a league dominated by black players. It's hard to make sense of such an argument

treatment of the Kenyans may turn out to he the best thing that could have happened to American distance running. We stink at it now, and, crucially, the public is realizing the odor.

it is going to renew itself.

the distances, beltind the Olympic marathon champion Frank Shorter and his friendly rivals Bill Rodgers, Steve Pretontaine and Atberto Salazar, who in the early 1980s was the last great American champion. At about that time, the NBA and the shoe companies were learning rapidly to market athletes as if they were TV or movie stars.

It is no coincidence that in the last decade American distance runners have vanished from the Olympics. even while American sprinting has grown stronger than ever. The explosive sports are better suited to American tastes at the moment. By comparison, the 10,000-meter race doesn't televise

acted the age of the players and banisbed all international teams. It was still called the World Series, of course, After looking ridiculous for a year, the or-

only 3 of the last 14 championships.

now that Michael Jordan has become this generation's Joe DiMaggio. The current outrage over America's

The cycle has his rock bonom, Either the sport is going to die out in America
— which doesn't seem likely, given the millions of Americans who run before and after work -- or else, as if by nature,

In the 1970s, America was a power in

In America / IAN THOMSEN

they attended several Olympics with me and saw world-class track competitions, they were attracted to other sports because those sports are simply better at marketing themselves," Salazar wrote in a piece for The New York Times. Scores of Kenyans train in America,

but Bob Kennedy — currently our best distance runner - is one of the only top Americans who trains with them. We invite Americans to train with the Kenyans, but nobody seems to want to do it," says Lisa Buster, who manages Kenyan runners from her base in

Pennsylvania. She wonders if Amer-

icans are willing to make the necessary

sacrifices in a sport that doesn't pay the rewards of basketball or football. Look at it from the broadest perspective. The National Hockey League, the NBA and Major League Baseball are recruiting players internationally. Those mammoth leagues have no fear of foreign athletes. Major League Soccer, on the other hand, places a limit on foreign players because it is a weak league; if its borders were opened, the American players would be overrun and the American public would probably

lose interest. This is not just an American trend. Only recently have the European leagues in all sports been ordered to open their borders to players from the European Community In its ruling, the European court paid

no attention to arguments that smaller countries would not be able to retain their hest players and that the leagues in those countries would suffer. No doubt the great Kenyan runners are victims of racism at some American races. But that ignorance is going to

vanish when a few Americans begin to challenge for gold medals. That is going to happen in the coming decade. Take it. as a matter of faith in market cycles. As soon as there are a few good

Americans running at the front, every race director in the country is going to want to surround them with the best available Kenyans. That's the stuff of rivalries - and wonderful television.

lan Thomsen is a senior writer at Sports Illustrated magazine.

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Herald Eribune

DO YOU LIVE IN

THE WORLD'S DAILS SEWSENFER

That has not been the case "Things hadn't been going throughout the first round of my way. I had to start playing the Stanley Cup playoffs this in-your-face hockey and just spring. On Thursday night, let the scoring chances hap-though, the Stars and Wings took 3-2 series leads and the They happened just often enough for the defending champion, Detroit, which

bis scoring slump with two goals, including the contro-

versial game-winner with 8:44

to play, as Dallas outlasted the

NHL PLAYOFFS

"It was time to put up or shut up." Modano said.

Mike Modano broke out of beat Phoenix, 3-2. a \$43.5 million contract for six years — beginning next season. He scored his second goal of the postseason on a perfect centering pass from Darryl Sydor, wristing the puck behind a sprawling Mike Vernoo. Modano had not scored since an empty nener in the first game. San Jose insisted that Jam-

ie Langenbrunner of the Stars the second time at Denver in was in the crease. The relevision replay seemed to back the Sharks' argument, but Langenbrunner might have er and fell, 3-2. been held in the crease by a San Jose player.

Red Wings 3, Coyotes 1

tory. The Red Wings were tory.

20.30 (CET)

acheslav Kozlov and Sergei for his 100th career playoff Fedorov keyed Detroit's vic- victory, the most in NHL his-

Spectacular goals by Vy-

the series, 3-2

Los Angetes.

New Jersey got a stellar sluggish in the second and third game and early in Game performance from its best player, goalie Martin Brodeur, who also set up the 4, but have looked like champions since first goal with a long pass off Tomas Holmstrom also

the sideboards to Brian Rolscored for the Red Wings. ston for a short-handed goal, who are hidding to become the In the only other game first team to repeat as Stanley Thursday, Edmonton won at Cup champions since 1992. Colorado, 3-1, to force a sixth Devils 3, Senators t Brodeur got the Devils going with his long pass to a breakgame at Edmonton on Sat-

urday. The Avalanche lead ing Rolston. Lyle Odelein also scored for New Jersey. St. Louis is the only team that has advanced, sweeping which must win Saturday night in Ortawa to force a Stars 3, Sharks 2 Modano seventh game. showed why he was awarded Thirteen teams have rallied

from 3-1 deficits in the playoffs, the last Pittsburgh against Washington in 1995. "I was just trying to clear the zone," Brodeur said. "It looked real good, but I can't take credit for that. There were three guys to the one

side, so I just sent it the other way."
Oilers 3, Avalanche 1 For the series, the Avalanche blew a third-period lead. The team was up, 2-0, in the open-

Mike Grier scoted two

The Oilers also denied

goalie Patrick Roy's attempt

tune in tonight

goals and Bill Guerin one.

LIVE - Football - French Cup Final

Salazar, who works for Nike, recently pointed out that his two teenage sons play soccer and baseball. "Even though

Eurosport, Europe's No.1 Sports TV Channel, available on cable and satellite

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SPORTS

*To Reach Sailing's Pinnacle, an Arduous Climb in Whitbread

By Angus Phillips

ALTIMORE - Seven months into the Whitbread 'Round-the-World Race, with Whitbread 'Round-the-World Race, with the worst of the gruehing journey behind it and Baltimore within easy reach, the sailboat EF Language hit a wave.

it was a wave like any other that had pelted and tossed the 65-foot (20-meter) sloop from Cape Horn to the Tasman Sea, but this time Marco Constant was in the wrong place.

"Lei Jour Assail

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'He was on the top step of the companionway.' his crewmate Josh Belsky said this week, with the boat safely tied up in the Inner Harbor. The wave "launched him," Belsky said. "He did a triple-gainer and came down hard" six feet below on the floor of the cabin. The hand that broke the fall bent 90 degrees and stayed there.

The only thing I could compare it to is when Lawrence Taylor broke Joe Theismann's leg in football." Belsky said. "You didn't want 10

While Constant was still in shock, his crewmate Klabbe Nylof "grabbed his hand, yanked it and put it back where it was sort of supposed to be."

Belsky said. "Then we wrapped it in tape that hardens into a cast and put him to bed."

Fort Lauderdale, Florida. Twenty-five-knot north-levely winds built waves on the north-flowing Gulf

Constant lay bouncing and lurching on his pipe berth all night as the boat flew off 10-foot waves and smashed into troughs below with a shuddering noise "like glass breaking in a car accident," said Mark Rudiger of California, EF's navigator. "We had morphine," said skipper Paul Cayard, also from California. "But he wouldn't take it."

That's what it takes to be a Whitbread crew member: the people on hoard the boats are as tough as the fleet of nice low-slung, wet, cold, uncomfortable, lightning-quick, stripped-out race boats that sped in the last few months through the globe's most perilous waters - the Southern Ocean that rings Antarctica.

This is the body of water about which the late single-handed American sailor Mike Plante once said: "Everything is 30. The wind blows 30, the air temperature is 30, the water temperature is in the 30s and the waves are 30 feet high." With the Whit-bread boats, he could add another 30 — the speed in

knots at which the boats slither down waves. This past week, the Whitbread fleet hit Baltimore for the first time after taking an unexpected ham-mering on the 870-mile (1,400-kilometer) leg from

Stream into aquatic cinder blocks. "You couldn't sleep for all the stuff flying around," Rudiger said. It is oothing new to Whitbread sailors, whose

lives at sea are a weary battle for survival in-terspersed with rushed stopovers in ports where they refurbish the boats for the next leg. They left England in September and return there next month after stops in South Africa, Australia, New Zealand,

Brazil, Florida, Baltimore/Annapolis and France. With 27,500 miles behind them, the nine boats and 108 sailors were preparing to depart from the Chesapeake on Sunday for more misery on the 3.500-mile plunge past North Atlantic icebergs to Europe, leaving landlubbers to ponder who these masochistic, modern-day Magellans are and what

makes them tick. They are the top professional racing sailors in the world, coming to the Whitbread from the Olympics, the America's Cup and the highest levels of world big-boat and dinghy competition. They race boats for a living, and to many the Whitbread is the pinnacle of the sport.

"It's a real, live adventure unfolding before your eyes," said Belsky, another American on the

EF, which is leading. "It's an Everest climb, with the added factor that eight other teams are racing you to the top. If you win you get a trophy, and that's all you should get. All I want is to say I did

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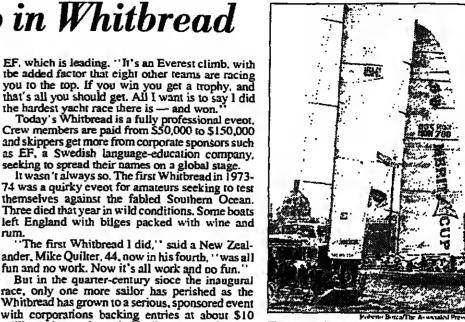
the hardest yacht race there is — and won."

Today's Whitbread is a fully professional eveot.

Crew members are paid from \$50,000 to \$150,000 and skippers get more from corporate sponsors such as EF, a Swedish language-education company. seeking to spread their names on a global stage. It wasn't always so. The first Whitbread in 1973-74 was a quirky event for amateurs seeking to test themselves against the fabled Southern Ocean.

left England with bilges packed with wine and rum.
The first Whitbread I did, 'said a New Zealander, Mike Quilter, 44, now in his fourth, "was all

fun and no work. Now it's all work and no fun. But in the quarter-century sioce the inaugural race, only one more sailor has perished as the Whitbread has grown to a serious, sponsored event with corporations backing entries at about \$10 million apiece and top-shelf sailors such as Cayard. a four-time America's Cup veteran and former Star-class world champion, leading the way.



Two Whitbread yachts, Chessy Racing and Merit Cup, sailing into Annapolis Harbor in Maryland.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS AMERICAN LEAGUE .538 .444 .407 .400 .250 B .692 11 .577 14 .462 15 .444 MATTONAL LEAGUE DIVISION
W L Pct.
1B 9 .667
13 12 .520
12 13 .490
9 1B .333
7 1B .280 Allanta New York Philadelphia Florida Mantreal .640 .630 .593 .519

Minesett 900 000 11z—2 6 1
Alvorez, R. Tañs (8), A. Lopez (8) and
OiFelica, Fisherty (8), Tewksbury, Agullera
(9) and Steinbach, W—Tewksbury, 3-3.
L—Alvarez, 3-3. Sv—Agullera (5).
Seattle 390 000 200—5 10 2
New York, 203 010 11x—9 12 1 Tessero, Slocumb (6), Lira (8), Fesses (8) and D. Wilson; Cone. Stanton (7), Nelson (8), — Rivera (9) and Girardi. W. Corie, 3-1.

- Rivera (9) and Rivera (3), Research (2), Research (3), Research (

| HRs.—Scattle, Griffey Jr (9). New York, Jeser (3), Curts (3), Posada (3).
| Oskiand 003 000 143.—11 16 0 |
| Cleveland 020 000 002.—4 6 0 |
| Rogers, Mohlet (8), Feiters (7) and Hinch:
| Jr.Wright, Plunk (6), Morman (6), Mesa (7), |
| T. Martin (8) and S. Afornor, W.—Rogers, 4-1.
| L.—Jr.Wright, 1-2, HR.—Cokkred, Stolas (4), |
| Baltimore 201 000 102.—7 6 2 |
| Chicage 004 041 61x.—16 15 0

Ponson, Te Mathews (5), Mills (6), Chart-ion (7), Crosco (7), Johns (8) and Holles; Neverro, Fordham (8), C. Castilla (9) and O'Brien, W.—Navarro, 2-3, L.—Ponson, 0-1, HRs.—Battimore, R. Palmelira (3), Hammonds (2), Barnick (2), Chicago, F. Thomas (5), Belle 2 (5), Ventura (4), Cardero 2 (2).

MATIONAL LEAGUE
Philiadelphia 500 000 006—0 2 0
Cincinarii 108 000 006—1 5 9
Mi.Grace, Gomes (81 and Lieberthal:
Harrisch and Taubersee, W-Hornisch, 2-0,
L-MLGrace, 1-3.
Montreal 149 500 161—7 7 1
St. Louis 000 265 653—13 12 2
M.Barista, Kine (J.), Teiford (S), M. Valdes,
(S), Bennett (B), DeHart (8), Moore (8) and
Widger, Mercker, Busby (S), Ratenfield (7),
Brantley (9) and Lampkin, W-Busby, 3-0,
L-Kline, 1-1, HRs-Mantreal, Sontangeta
(1), Nadrews (S),
New York 01 900 908—1 8 0

(11. Andrews (6).

Mew York 881 900 908—1 8 0

Houston 281 901 20:—4 12 0

Milch, Wendell (7). Bohanon (8) and A.

Costilla: Lima, Nitkowski (7). Mognante 18)

ond Ausmus, W—Lima, 4-1, L—Milch, 0-3,

HR—Houston, Alau (7).: 256.5ag BC-880—
Linescores.:

(8), Mesa (8) and S. Alomai. W—T.
J.Mathews 3-3. L—Assemmather 1-3.
Sv—Toylor (6), HRs—Calutand, Greve (2), K. Sw-Toylor (6), HRS-Cohland, Greve (2), K.
Abbatt (1). Cleveland, Thame (4),
Seartise 102 808 140 0-8 11 2
New York 020 112 061 1-9 15 1
(10 Innings):Cloude, Spolizis (5), Lira (7),
Fossas (8), Ayala (8) and D. Wüson: D. Wells,
Nelson (7). Startion (8), Holmes (8), M.
Rivera (10) and Possada, W-M. Rivera (1-0,
L.—Ayala 0-2, HRS-Seattle, A. Radriguez (9),
California (2), 11. Griffey Jr 2 (11), New York, T. Morfinez (4), Strowborry (6), Rolnes (1).

NATIONAL LEAGUE cisco 000 000 000—0 5 1 001 104 904—4 8 9 ser, Tavarez (7). Johnstone (8) and rshiser, Tavarez (7), Johanshare (8) and hinson; Neople and J.Lopez, W.—Neople L.—Hershiser O-J. HRS.—Atlantic, ragga (10), J.Lopez (8), Diego (20) 100 001—4 9 0 da 100 000 000—1 4 4 milith, Micell (7), Hitchcock (8), nam (8) and G. Myers; Meadows, nsbourg (6), Stonrier (8), F. Heredia (8), well (9) and C. Johnson, W—P, Smith 2— Meadaws 2-2, Sv—Hoffmon (7),

J. Fibron.

1. L. Hendows 2-2.

HR.—Fibrida Floyd (8).

Colorade 120 ee1 000—4 7 0

100 ee6 000—0 4 1 HR—Fiorida, Floyd (81.
Colorade 129 001 000—4 7 9
New York 800 000 000—0 4 1
Kile and Mamworing: B.J.Jones, Hudek (7).
Rojas (9) and Spent, Tatum (8). W—Kile, 3-3.
L.—B. J.Jones, 1-3. HR—Colorada, Burks (8).
Las Angeles 100 112 845—14 19 0
Pittsburgh 012 108 200—4 14 2
I. Voldes, Bruske (6). Guttrie (6). Clartz (7).
Rodinsky (9) and Plazza. Prince (9):
Schmidt, Peters (7). Kincon (8). Dessens (8).
Jo. Martinez (9) and kendall, W—Clantz, 2-0.
L—Dessens, 0-1. HRs.—Pittsburgh, Y. Young
IS), A. Mortin (4). Callier (1).
St. Louis 100 00 023—2 8 0
Chicago 500 00 325—8 15 12
Petkavsek, Frascotore (1), Pointer IS). Bottenfield (7), Acereda (8) and Pagnazzi.
K.Wood, Picciatta (8). B. Patterson (8). T.
Adams (8) and Servols W—K. Wood 2-2. L—Petkavsek I-1, HR—St. Lavis, McGerire (11).

JAPANESE LEAGUES CONTRAL LEADUR 5 14 0 263 7°;

PACIFIC LEAGUS

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THURSDAY RESULTS CENTRAL LEAGUE Hanshin 7. Yakult & 11 innings PACIFIC LEAGUE Seibu 9. Kintetsu 4. 11 Innings Darei 4. Nippan Hom 2

BASKETBALL

NBA PLAYOFFS FIRST NOUND, REST-OF-5

Chicago 35 26 32 23—11d
New Jersey 28 24 24 25—101
C: Jardon 16-22 4-5 38, Burnell Ph 17 2-2 23:
NJ: Douglas 9-15 0-0 19, Van Horn 5-9 8-11
18, Gatking 7-12 4-6 18, Rebottosts—Chicago
46 (Bathera 17) New Jersey 27 (Millian)

Process
Son Autorio 29 21 21 37 — 99
P: K. Jorinson 8-13 1-2 18, McCloud 4-11 0011; S.A.: A. Johnson 11-15 6-12 30. Person 611 0-018, Rebeyeds — Phoenia 47 (McClyess
19). Son Autorio 45 (D.Robinson 21).
Assists—Process 73 (Nash 5), Son Ardonio 19 24 24 16-85

Houston 19 24 24 16—83 Houston 26 21 24 16—83 U: Matone 6-16 7-9 19. Rusself 7-19 2-2 19: H: Oklywon 10-26 8-8 28. Dreider 8-18-4-4 22. Rebeurds—Urgh-48 (Matone 14.) Houston 50 (Oldjiwon 12). Assists—Urbh 19 (Stockion Houston lends series 2-1 THURSDAY RESULTS

I: Miller 7-16 3-4 19, Smits 7-15 3-4 17: C: Kemp 6-16 9-12 21, Anderson 5-8 8-10 18. Rebounds—Indiana 39 (A.Davis 9), Cleveland 42 (Kerna 12), Assists—Indiana 22 (Jackson &). Cleveland 18 (Knight d). Indiana wins series 3-1.

24 21 17 21- 85 Mismi 24 21 17 21-95
New York 22 34 24 19-99
M: Hardstwoy 12-21 4-432, Mourning 11-14
7-11 29: N.Y.-Johnson 5-15 8-9 18, Hausten 614 6-9 18, Rehounds-Hatmil 44 (Brown 9).
New York 49 Liohnson 9), Assists-Mismil 17
(Hardstwoy 9), New York 21 (Word 7),

Series fled 2-2. 28 18 21 25-92 Minnesoto 21 22 20 25—48 S: Hawkins 6-12 8-9 24, Payton 10-12 2-3 24; Al: Garneti 9-14 2-2 20, Peeler 7-15 0-0 19. Rebounds-Seattle 46 (Boker 12), Minnesolo 48 (Garnett 101, Assists—Seattle 27 (Paylor 8), Minnesota 25 (Marbury 7). Series Hed 2-2.

28 28 22 22-110 19 21 25 24-99 Lakers: O Neal 13-17 5-921. Bryant 9-1d 3-422: P: Slaudamire 9-22 2-2 24. B. Grant 5-10 8-8 18. Rebounds—Lakers 56 (S.C. Neal 15). Partiand 49 (B.Grant 12), Amists—Lakers 27 (Van Exel 7), Portland 22 (Slaudomire 8). (Jakers win series 3-1,

ICEHOCKEY

NHL PLAYOFFS FIRST ROUND, REST-OF-7 WEDNESDAY RESULTS

First Period: Pittsburgh, Brown 1 (Siegr, Langl (pp), 2, P-Hancher 1 (Jagr, Francis) (pp), 3, M., Malekhor 1 (Recchi, Damphousse) (pp), 4, P-Jogr 2 (Francis, Bornes) (pp), 5, P-Olczyk 2 (Wright, Tomer) (sh), Secard Period: Pittsburgh, Stroka 1, (sh), Nami Period: Prisargh, Street I.
(sh), Third Period: Neurest I (Streetson,
Zotepski) 8. M-Hagitind 1 (Thornton,
Mansoni 9. P., Jegi 2 (Francis) (en), Shats
an god: P. 8-6-70, M-7-617-30, Goelias: .
P-Barassa, M-Moog, Theodore,
Series fied 2-2.

Buttele

[st Period: B-Ward 2 (Peca, Varuda) 17:37.

2. B-Satun 3 (Holzinger, Shannori (pp), 2d
Period: Buttele, Barnaby 1 (Audelte, Shannori (pp), 4 B-Holzinger 2 (Woolley, Satun) (pp), 2d Period: Pridoelphia, Brind Amour 2 (Lingras, Zubrus) Shats on gools Philadelphia 11-15-19-45. Buttele 4-9-

St. Lose 0 1 1-2
Les Angeles 0 0 1--1
1st Perted: None. 24 Period: 51. LouisDemitro 2 (G.Courtnoll Yaise) 34 Period:
S.L.-Coracy 1 (Pronger) 3, Los Angeles.
Stumpe(1 (Berg. Taypickov) Shots on good:
S.L.-13-16-S-34. L.A.-8-6-16-30. Goodies:
S.L.-Fuhr. L.A.-Fiset.
S.1 louis who series A.B. 23 18 14 25- 80 28 21 21 37-- 99 St. Louis wins series 4-0.

Officer

New Jersey

First Period: New Jersey, Rolston 1
(Brodeuri 11:94 (stil. Second Period: New Jersey, Ocioleian 15 ouroy, McKor) (ppl. Third Period: C-Kruychuk 1 (Yoshin. Gordiner) 4, N.J.-Gilmour 5 (Doneyke, Elios) Shots on goot: C-9-9-5-23. N.J.-3-13-10—2a. Geolies: O-Rhodes. N.J.-Brodeur.

Phoents Tocchel & (Tkochul, Jamey) (ppl. 2, D.Kaslov 2 (Eriksson) Second Period: D-Fedorav 5 (Holmstrom, Rouse) Third Period:

See Jose

Dolles
First Period: D-Mediano 2 (Verbeet,
Longenbrunner) (pp), Second Period: Son
Jose, MocLeon 2 (Nicholls, Nolen) (pp), 2,
S.J.-Sutter 2, 11:34, 4, D-Lind 2 (Keone, Zuboyi Third Period: D-Moderne 3 I Sydos Longenbrunner) Shots on gent: S.J. 2-12-6-20. D- 14-7-5-26. Goobes: S.J. Vermon.

First Period: C-Yello) (Frizgerato) Second Period: None, Taird Period: Edmorton, Guerto S (Smyth, Miranov) (ppl. 3. E-Grier 1 (Zelepukin, Murray) 4. E-Grier 2 (Murray) (en). Shots an gook E-10-10-13-33, C- 12-

RUGBY SUPER 12 Wellington 17, Conterbury 39

SOCCER

COPA LIBERTADORES America. Col., 1 Cerro Porteno, Poraguay, 2 Cerro Porteno won 3-1 pa opgregate Gremia, Brazil, 4 Nacional, Uruguay, 0

Gremio wan 5-1 on aggregate, Gremio wan 5-1 on aggregate, Joliwar, Bol. 1 Bucaramaneo, Colombia, 9 Bolwar won 3-1 on aggregate, Penarol, Uruguay, 2 Allanza, Peru, 1 Apgregate: 2-2. Penarol won 4-2 on pen-Obmpic, Poroguay, 1 Calon, Argentina, 0 Aggregate: 3-3. Colon won 2-1 on penal

Cala Colo, Chile, 2 Barcelona, Ecuador, 2 Burcelona won 3-2 on oggregate, tiver Plate, Argentina, vs. America, Mexico ostpaned — no referee, First leg: 1-1. GREEK CUP FINAL

TAMAN CUP FINAL Lazio 3, AC Milan 1 Lazio van 3-2 en aggregate. SPANISH CUP FINAL Borceiono I. Mollorca 1

ENGLISK PRIMIER LEAGUE

Arsenal 1, Derby 0 Cheises D, Blackburn 1 Coventry D, Wimbledon 0 Leicester D, Newcastle 0

Leicester D. NewCostile 0
STANDINGS: Arsenal 75 points: Monchester U, 71; Chebse 64; Liverpool 59; Leeds
58; Blackburn 55; West Hom 52; Aston Ville
51; Leicester 50; Derby 49; Covertry 48,
Southempton 47; Sheffleck Wed. 44; Wimbledon 43; NewCostile 41; Tottenhom 40; Everton
59; Borlon 37; Bornsley 35; Crystal Palace 29.

Ochman Essenation O SRMAN EUHPESLIGA Arminio Bistefeld 2, FC Kaiserakutern 2

FC Schotke 1, FC Cologne 0

VfL Bochum 2 Hertho Berlin 1 VYL BOCHUM 2. Hermo Berkin 1
STANDONGS: Köriserskutern 64 points:
Boyern Munich 62: Bayer Leverkusen 54:
Shirtpark, Schafte 04 49: Honso Rustock 48:
Werder Bremen 44: Borussia Dorimund 42.
Hertho Bertin, Dulsburg, Hamburg 40: Wolfsburg 39: Bochum, 1860 Munich 38: Cologne,
Veste cher. 26: Marecharlanther 27: A hamb Karlsruher 35: Manchengladbach 32: Armin-la Bielefeld 29.

TENNIS

FRIDAY IN HAMBURG, GERMAN QUARTERFINALB

Jona Novomo (21, Czech R., def. Julio Abe, Germany, d-1, 6-3: Barbaro Schett, Austria, def. Virginia Ruono-Pascuol, Spain, 6-0 6-0. Bet, Virginia koano-Pracous, Spain, 20 64. Patry Schnyder (5), Switz, def. Arantaa Sanchez Vicaria (3), Sp., 6-3, 6-0; Martina Hingis (1), Switz, def. Jennitor Caprioti, U.S.

BOL LADIES OPEN FRIDAY IN BOL, CROATIA OVARTERFINALS

Corina Marariu (5). U.S. def. Sandra Cec-Corina Morara (S), U.S. ee, Sonora Lec-chial Haly, 6-4, 6-1; Doarnette Kruger (1), 5. Africa, def, Ratuca Sandu, Ram., 4-4, 6-2, 6-2. Mijono Lucic (4), Croatia, def. Mariana Diaz-Oliva, Arg. 6-2, 6-3 Silvija Toolga, Croo-fio, def. Lea Ghirurdi Rubbi, France, 7-5, 6-2.

LINW OPEN FRIDAY IN MUNICH, GER

GUARTERINALS
GOLD Bionca, Sp., def. Tomos, Nydahl, Swe., 7-5, 5-7, 7-6 (7-1); Andre Agassi (8), U.S., def. Jonas, Bjorkman (21, Sweden, 6-2, 6-2, Magnus Gustoffsson, Swe., def. Nicolos Escude, France, 6-2, 6-1; Thomas Enquisi (7), Sweden, def. Oliver Grass, Ger., 6-2, 6-3. CZEGI OPEH

FRIDAY IN PRAGUE
OUARTERFINALS
FERNAND Meligen. Brazil, def., Andrel
Chesnokov, Russia. 6-3. 6-1; Slova Dosedel,
Crech R. def., Jacobo Olaz, Spain, 6-1, 6-4.
O'nu Pescoriu, Rom. . def., Javier Sunchez,
Spain. 6-7, 4-7), 6-1, 6-2; Nicolas Lapportiti,
Ecuador, def. Femondo Vicente, Sp., 6-0, 7-5.

DAVIS CUP EURO/AFRICAN ZONE

TRANSITIONS

BASEBALL

-PutRHP Jock McDow disabled list. Activated INF Craig Shipley day disabled list. Activated Intr. Trug Server, from 15-day disabled list.

BOSTON—Sent LHP Steve Avery to Powhucket II. Reculted RHP Robinson Checo from Powtuckel. Claimed RHP Pat Checo from Pawtischol. Claimed Flury from Whicha, TL, and optio Pawtischet. DETROIT—Put C Raul Casanova

disabled hist retroactive to April 25 and INF Bill Ripken on 15-day disabled list, retroactive to April 26. Recalled C Paul Bako from Toledo.

NEW YORK-Put LHP Groenie Lloyd on 15-Hed RHP Mike Buddle from Columbus.

TEXAS-Bought contract of PHP Michael Roberts from AL, NATIONAL LEAGUE FLORIDA—Optioned 1B Ryon Jackson to Charlotte, IL. Bought contract of RHP Dann

Pop Itom
Charlotte.
PHILADELPHIA—Assigned LHP Randy
Woll to Scramon-Wilkes-Barre, IL. and LHP
Kris Stevens to Reading. EL.
PITTSBURGH—Optioned INF Freddy Garcia to Nashville of PCL. Baught contract of
INF Chance Sanford from Nashville. PCL. SAN FRANCISCO—Agreed to terms with INF
Jeff Kent on 3-year controct extension.

BASKETBALL ATIONAL BASKETBALL ASSOCIATION HBA— Suspended Milami Alonzo Mourt and New York Larry Johnson 2 games for fight of end of Game 4 of their 1st-round night or end of Game 4 of their 151-round bippoff series. New York Chris Millie was sus-pended 1 game for reaving bench area 6 uring some gome. Mourning was fined 520,000, Johanson \$10,000 and Mills 5 2,500.

NATIONAL FOOTBALL LEAGUE

ASIZONA-Signed QB Dave Brown to 2year contract.

PHILADELPHIA—Signed TE Kevin Hickmon. WR Josh Dolbin and DB Earel Lucas.

Hellanapous—Put DL Bruce Beaton an

reserve-left-squod list.

TAMPA BAY—Signed Rick McKoy, general

manager, to 5-year contract extension.

hrough 2002 season. HOCKEY NATIONAL HOCKEY LEAGUE CAROLINA—Signed D Glen Wrsley to 5-year

DALLAS -- Recoiled D Petr Buzek, D Seroes Gusev. O Brod Luhawich and F Joson Bot-terill from Michigan IHL PITTSBURGH—Recoded F Brian Bonin, F Jan Hrdina and D Sven Bulenschon from Syrocuse AHL

COLLEGE NCAA—Put UCLA ments basketball pro-gram on three years probation for violating recruiting regulations and giving improper benefits to athletes.

NORTH CAROLINA—Announced jurior mens basketball F Vance Carter will forego his senior season to enter NBA draft.

TEXAS ALM - Announced sophomore bas-kerball G Brian Barone will transfer to Mar-

SATURDAY, MAY 2

ERUCAN FOOTBALL, Various sites Europe, Amsterdam vs. England, art vs. Duesseldorf. ATHLETICS, Prisburgh — U.S. Men's larethon Championship.

May 3.

AOLF, Milan — Conte of Florence Italian
Open, to May 2: The Woodlands,
Texas—Houston Open, to May 3: Aichi, Jopon — Chumichi Crown, to May 3: Daytona
Beach, Florida — women, Titleholders pan — Chumichi Crown, to May 3: Daytona Beach. Florida — women, Titleholders Championship, to May 3: Birmingham. Alabama — seniors, Bruno's Memorial Classic, to May 3: Sakalde, Japan — women. Katokichi Gueens, to May 3. Hogsee Racersa, Newmarket, England—English 2000 Guineas; Louisville, Kentucky—Kentucky Derby, sog Hooksy, Switzerland—World Pool A championship, to May 17, Championship, in May 17.

RUGBY UNION. Amsterdam, Netherlands — women's rugby World Cup, to May
16: Super 12. Northern Transvaal vs. Coasta!

Sharks, Golden Carls vs. Queensland.

TENNINS, Munich—BAW Open, to May 3:

Progue—Poogas Czech Open, to May 3: A1lantia, Georgia—AT&T Challenge men's hourmand. May 3: May 3: May 18.

inna, ceergia—16.1 Challenge men's burn-nament, to May 3: Homburg, Germany— Resona Cup women's tournoment, to May 3; 86l. Croatio—Croation Open, to May 3. Davis, Cup Euro: African zone 1st round. Morocco vs. Bulgaria, Belarus vs. Luxembourg, Sen-egal vs. Paland, Ivory Coast vs. Egypt, Latvia vs. Yugaslavia, Parhugal vs. Georgia, Monaca Service March Village Vs. Georgia, Monaca Service March Village Vs. Georgia, Monaca

SUNDAY, MAY 3

AMERICAN FOOTBALL, FL Europe contond vs. Borcelona, HORSE RACING, Newmarket, Eng-

d-English 1,000 Gr and—English 1,000 Guineas.

MOTORCYCLE RACING, Jerez Spain —
panish Grand Pris.

SOCCER, Mendly international Romania

MONDAY, MAY 4

TENNIS, Hamburg, Germany — men, erman Open, to May 10: Rame — women, German Open, to May 10: Kome — women Italian Open, to May 10: Coral Springs, Flor-lda — men, America's Red Clay Championship, to May 10.

TUESDAY, MAY 5

No major entries. WEDNESDAY, MAY 6 SOCKER, Paris - UEFA Cup final (mer

THURSDAY, MAY 7

GOLF, Samo Ponsa, Mailorca — men. Spanish Masters, la May 10; Ha. Japan men, Fujisanket Classic, to May 10; Tokyo — women, Gunze Cup World Ladies, to May 10; Oulult, Georgia — men, BellSauth Classic, to FRIDAY, MAY 8

AYMMASTICS, Soville, Spain - women Rhythmic World Championships, to May 19
RUGBY UNION, Super 12, The Chiefs vs.

Tennessee - women, Sara Lee Classic, to SATURDAY, MAY 9

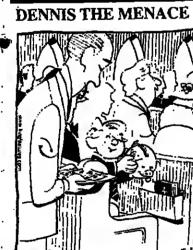
Duesselforf vs. Scotland. ATHLETICS, Oseke, Jopan - Jopan gerta vs. Ghana.

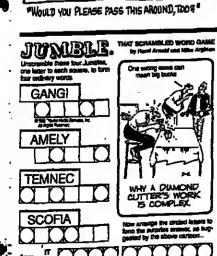
BUGBY UNION, Super 12: New South

Wales vs. Wellington: Golden Cats vs. Can-terburg Western Province vs. Otaga. SUNDAY, MAY 10 MOTOR RACINO, Barcelona, Spain — comula One, Spanish Grand Pric Ria ée aneira, Brazil — Indy-ca, Championship

AMERICAN FOOTBALL, NFL Europe

RUGBY UNION, Super 12 Coastel Shorks





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GARFIELD











WHATTAYA

GOT TO EAT?





















WIZARD of ID





WHATCOULDI

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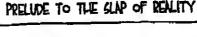


NON SEQUITUR



CTART MONERY? COOL

BY THE WAY, WHAT ARE THE



BESIDES MANCH, LET'S FACE IT. I REALLY DO BEAR AN UNCOM FORTPOLE RESEMBLANCE TO A



I HAVE TO PUT UP WITH BNOUGH OF THAT MIDDLE-AGE SLACKER. BUSINESS PROM HIM AS IT IS...

Up the Olfactory Canal

MIAMI — Of all the human senses — sight, hearing, touch, taste and the feeling that a huge man with a barbecue fork is lurking in the closet - perhaps the least appreciated, yet most important, is our sense of smell.

How does our sense of smell work? The simplest way to explain it without doing any research is as follows: Every living thing - animals, plants, cheese, magazine adverfisements, etc. — is constantly giving off tiny invisible pieces of itself, which scientists call "smell particles." Suppose that you have just entered a room that contains a fudge brownie. As you approach the brownie, your nose snorks up smell particles from it and passes them along into the Olfactory Canal, which was completed in 1825 and goes to Albany, New York.

No. sorry, wrong canal. The Olfactory Canal takes the

particles to your brain, which is actually a fabulously complex computer, which means that on Jan. 1, 2000, it will stop working and your body will flop around like a recently caught perch. But until then, your brain is able to

Our sense of

be dangerous.

smell can actually

detect the presence of the brownie particles, and, after analyzing them via a subtle electrochemical process involving billions of tiny neural circuits performing highly so-phisticated, lightning-fast cal-

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culations, produce the following thought: "Yum!"

Your brain then transmits a signal to your hand, telling it to go ahead and put the brownie into your mouth; almost instantaneously, your hand responds with the signal informing your brain that you ate the brownie several minutes earlier, because your hand and your mouth agreed many years ago that, as far as chocolate is concerned, there is no need to involve your brain.

Thus we see that our sense of smell is not as important as it seemed to be back at the start of this article. In fact, our sense of smell can actually be dangerous, because it stands to reason that if our nose inhales too many particles into our brains, eventually a dense particle wad will form inside us, and our heads will explode, sending compressed brownie chunks hurling outward fast enough to pass through a brick wall.

But the question remains: Why do we have a sense of smell in the first place? The answer is that smell once played a vital role in the survival of the human race, back when we were primitive beings who ran around naked. No, I am not talking about the '60s; I am talking about prehistoric times, when primitive men had to hant for food to feed their families. They'd creep along naked through the underbrush, and every few minutes they would pause to sniff the air for the scent of prey. Of course, since this was nearly a million years before the invention of soap, all they could smell was their own armpits: the animals could easily detect them at a range of 35 miles. As a result, the hunters never captured any animal that had not already died of natural causes, although when the hunters brought this animal back to the primitive village, they'd make up a story to impress the women with their bravery and prowess. "Whew!" they would say. "You should have seen the ferocious fight this wild animal put up!"

"That wild animal is a rotting squirrel." the women would respond, "and you get it out of this primitive village NOW."

Men and women are still divided on the issue of smell. Most women are very sensitive to odors, whereas men; largely as a result of smelling their own selves over the eons, have reached the point where they tend not to detect any aroma below the

Perhaps you know someone who tends to emit B.O. rays?

That's certainly the way it is in my household. At least five times per week, my wife and I have the same conversation. Michelle says:

level of a municipal dump.

"What's that smell?" And I say, "What smell?" And she looks at me as though I am demented and says: "You can't The truth is, there could be a stack of truck tires burning in

the living room, and I wouldn't necessarily smell it Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire. This Male Smelling Deficiency Syndrome, or MSDS.

some men, particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps yon know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don't inhale.

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John Irving Builds From Fact to Reach Truth

By Mel Gussow New York Times Service

NEW YORK — Running through John Irving's novels el, "A Widow for One Year," a mother, severely depressed by the accidental death of her two sons, disappears for 37 years. A pivotal line in the book says, "The grief of lost children never dies."

As Irving talked about his work and himself — he was brought up by his mother and stepfather and has never known his real father it was clear that this theme cuts deeply into his own life. Up to now, some of the author's biography, as the subject of his father has been a closed book, at least publicly.

These thoughts gradually emerged in a series of recent conversations at his home in southern Vermont and later at Middlehury College, where he read from his new novel, due out next month from Random House. Although his books often have their roots in events and emotions in his life and that of his family, he said, they sharply diverge from specifics.

In using himself in his fiction, he said, "you can become tyrannized by the authenticity of what you remember." He is never tyrannized by the authenticity of what he ima-

At 56, Irving, the author of nine novels, most of them best-sellers. that have been printed in more than 30 languages, has both literary stature and worldwide popularity. Synchronized with the publication of "A Widow for One Year" is the 20th-anniversary Modern Library edition of "Garp," the book that made his name and fortune. In a new introduction, he says the novel is about a factor's few soft the death of children.

With its principal theme and its structure. "A Widow" recalls 'Garp." It is a richly textured nar-

rative, covering four decades, and it deals with a family of writers. The is the theme of lost children and new book is, he said, "a multiple absent parents: from the unknown love story." It revolves around four father in "The World According to characters, a married woman, Garp' 10 "The Cider House Marion Cole, who has an affair Rules," in which "all the parents with a 16-year-old boy, Eddie with a 16-year-old boy, Eddie are missing." In Irving's new nov- O'Hare; her husband, and her daughter, who eventually becomes the pivotal figure.

"I always saw it as three views of a woman at crucial times in her life." he said. "the 4-year-old child the summer her mother leaves her. the 36-year-old unmarried woman and the 41-year-old widow with a child the same age as she was when her mother left her.' At least outwardly, Eddie bears

a student in the 1950s at Exeter, an exclusive all-male boarding school, and as a hopeful writer with lustful inclinations. The future nov-elist grew up in New Hampshire. where his stepfather taught history at the prep school. Irving explained that his mother and father divorced before he was

born. At hirth, he said, his name was John Wallace Blant Jr. When he was 6, his mother remarried, her husband adopted him and his name was changed to John Winslow Irving. He said that he had never met his hiological father or tried to find him, though some of his friends have encouraged him to do so.

"If I had been unhappy with my mother or my stepfather, I think the quest to find my missing father would have become crucial." he said. When Irving and his first wife divorced in 1981, his mother gave him a package of letters between her and his father and newspaper clip-pings detailing his heroism during World War II. "The fact that she gave them to me then was an in-



Irving is the author of nine novels, most of them best-sellers.

she had gone through," he said. His father was an Army Air Force pilot whose plane was shot down over Japanese-occupied Burma. Missing for 40 days: he and his flight crew walked to China. Irving took his father's story and gave it to

the character of Wally Worthington in "The Cider House Rules." "He might still be alive," he said about his father. "Whoever he is, to his credit, he didn't come looking for me either."

Janet, is also his literary agent. Their son was born in 1991. In contrast to the father in "A Widow," who writes macabre hooks for children, Irving tells his son "cautionary tales riddled with

Those stories are in keeping with his description of himself as a 19thcentury novelist, a dinosaur rather than a modernist. He believes that a novel should be more compelling after 300 pages than after 30 pages.

moral instruction.

Robertson Davies, Gabriel Garcia Marquez and Salman Rushdie: storytellers who "love plot and interweaving characters as mischiev. ously as they can. Irving himself is expert at alternating scenes of zestful humor and deep solrow. eventually knitting together all diverse narranive strands until there are no degrees of separation.

Significantly, he starts a book with its ending. I begin with an idea of an aftermath or something close to an epilogue," he said. "I don't start writing a book not

knowing where it's going."

For Irving, rewriting is a compulsive act. In his case, he said, writing is one-eighth talent and seven-eighths discipline: "The idea that what inspires you is mtouchable either by your own revising or by an editor's thoughtful suggestions is a kind of hubris."

He said he has often heard novelists say that their characters "take over" their novels. In his case, the characters don't take over, I take over the characters." Once he creates them — they become as real as people in life, to him and to readers. Occasionally, as with "Garp," they have been portrayed in movies. Two of-Irving's own screenplays, for "Cider House" and his most recent novel, "A Son of the Circus," are scheduled to be filmed. Coincidentally, the American ican Theater Critics Association in cently named Peter Pamell's dramatization of "Cider House" as the outstanding regional theatplay of the season.

Central to Irving's art is his feeling about "the passage of time." which is why he writes novels and very few short stories. He thinks in the long form, and is obsessed by the transformations of life. His next book may be about a man who has a meteoric success and searches for a father he has never met. "All I have dication that she thought I was gothe direction that would thought admission, he went His models are Dickens and is the last line. The said For Irving,
that would thought I was gothe direction that she that she that the direction that she that sh

PEOPLE

Acopposing sides in the gender wars, ness, movie roles and to ewel ship of obscenity for selling Hastler in Hamilton Hugh Hefner and Gloria Steinern the Fashion Café chain. Rounding out the County. The 1977 conviction was thrown Magazine Editors' Hall of Fame togeth-er. They smiled but did not acknowledge and Naomi Campbell. \$27.5 million. each other directly. "It's like a conservationist being given an award with a head of a timber company." Steinem said before the National Magazine Awards ceremony. Hefner created Playboy, known for its pictorials of nude women. Steinem is co-founder of the feminist magazine Ms. When she was a young writer. Steinem wrote a critical article about her experiences as a bunny in a Playboy Club in 1963. The two resisted photographers' requests that they stand next to each other. Fellow inductee Byron Dobell, former editor of

Elle MacPherson has edged out Cindy Crawford as the world's wealthiest fashion model. Her net worth is about \$38 million, according to the British magazine BusinessAge. Crawford is a notch below, with an estimated wealth of \$36 million. In addition to her modeling fees, which can earn her \$34,000 an 14-year-old boy. They could face up to 24 filed a lawsuit in Los Angeles Superior appearance, MacPherson has also made years in prison. Twenty-one years ago Court to enforce the decision.

entered the American Society of top five were Claudia Schiffer, with \$34

a member of a prominent San Francisco family. Johnson had two youthful mar-Griffith. Phleger has never been married. The wedding is set for October.

Hustler's publisher, Larry Flynt, who

FTER more than a generation on money from her Australian lingerie husi- Larry Flynt was convicted of pandering out on appeal.

Celine Dion has received Quebec's highest honor, along with a tribute from Don Johnson, 48, the star of "Nash the province's premier. The pop singer drew a throng of journalists to a cervice." is engaged to Keller Phleger, 29. she was among 30 people given the Order of Quebec by Premier Lucien riages annulled and was twice married to Bouchard. Bouchard praised her for atand divorced from the actress Melanie taining, at age 30, "heights unequaled in the history of francophone song" and for being Quebec's greatest ambassador.

Sid Caesar, the five-time Emmy has been challenging the authorities by Saurd-winning comedian who starred selling racy magazines and videos at his in the 1950s TV shows "Your Show of Cincinnati bookstore, surrendered to the Shows" and "Caesar's Hour," is suing police on obscenity charges. He was re- two lawyers he claims reneged on a deal leased on his own recognizance and said to pay him for a video compilation of he would visit his store to sign books and sketches from his shows. An arbitration magazines. A 15-count felony indicument court in December 1995 issued a decharges Flynt and his brother, Jimmy, cision barring two lawyers, Dan Macwith violating Ohio law by selling sexu- cabee and Steven Mark Klugman, ally explicit videotapes - including to a from distributing the videos. Caesar has



SHARED LIGHT — The director Martin Scorsese receiving the International Campaign for Tibet's annual Light of Truth award from the Dalai Lams.



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